

Market Alert

Thursday 18 May 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6253	-0.0013
NZD/AUD	0.9386	-0.0078
NZD/JPY	86.09	-2.58
NZD/EUR	0.5770	-0.0066
NZD/GBP	0.5006	-0.0024
NZD/CNH	4.3836	-0.0735
AUD/USD	0.6661	0.0040
AUD/EUR	0.6145	-0.0019
EUR/USD	1.0839	0.0098
USD/CNH	7.0107	-0.1020
GBP/USD	1.2487	0.0031
EUR/GBP	0.8677	0.0056

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.85%
90 day bills	5.70%	3.97%
2 year swap	5.11%	3.75%
10 year Govt	4.27%	3.51%

Kick-off is at 2:00pm today ...

... with the budget. There will be a lot of talk, a lot of chatter, but we suspect it won't make a great deal of difference to anyone given the potential inflationary impacts of a fiscally loose budget.

Meanwhile Chicago Fed President Austan Goolsbee announced, "there's still some potential for a soft landing. Wages are not a leading indicator of inflation. There is 'a chance' can get rid of inflation without a recession," Fed Atlanta President Raphael Bostic then added, "Wages didn't fully catch up to inflation in 2022. There is still some way to go until inflation is beaten."

As someone stated overnight, "The debt ceiling fight is like a kidney stone. You're going to pass it; it's just a question of how

painful it's going to be!" Well US T-bills that mature in early June may pass a stone or 2 after PIMCO suggested yields could jump as high as 10% if the debt-ceiling stand-off continues. Currently talks are continuing with an optimistic tone after Joe Biden and Kevin McCarthy agreed on a new system for staff-level negotiations. Senator McCarthy assured journalists there wouldn't be a debt default.

This positivity underpinned equity markets with European bourses 0.3%-0.8% higher while US markets gained 1.0%-1.3%. Commodity markets also had a good session with oil 2.4% higher, while US treasury yields also gained with the 2-yrs 8bps higher at 4.15% although the 10-yrs was steadier rallying just 3bps to 3.57%. Interestingly, at least 4 borrowers are expected to tap the US corporate bond market following Pfizer's USD31 billion raise, which was the 4th largest offering ever. The USD-index also had a positive session, but the standout performer overnight was the NZD which rallied 0.5%, while the AUD also firmed.

US housing starts unexpectedly increased by 2.2% to 1.401 million in April, although mortgage applications declined -5.7% from the prior week's 6.3% jump. The Atlanta Fed GDPNow tracker of Q2 GDP rose to 2.9% from 2.6%.

A poll of US economists showed 65% expect the Fed Funds rate to be at 5.00% - 5.25% by end of the year, 73% also expect

the US to fall into recession and 54% see the possibility of a US default over the debt ceiling higher than previous stand-offs.

Andrew Bailey of the BoE stated he expects a fall sharply in inflation from its current 10.1% level "over the coming months," but warned that higher food prices and a tight labour market could cause the cost-of-living crunch to persist.

So, if we go to Australia, we not only get great sunshine and higher wages, but we also get wage increases! Q1 wages jumped 0.8% on the quarter to reach 3.7% on the year, which was a lot higher than Q4's 3.3% annual rise!

Japan's GDP grew 1.6% on an annualised basis in the first quarter, beating consensus for 0.8%.

A survey of Asian fund managers made for some pretty dour reading on the China with a "net 49% of investors expecting a stronger economy over the next 12-months, down sharply from April's 79%" but, on a positive note, the Chinese state planner committed to boosting consumption and manufacturing.

I'm not quite sure how this works but UBS is signalling it will make a 'massive' accounting gain from its takeover of Credit Suisse, with the combined firms' 'negative goodwill' seen boosting profits by USD34.8 billion.



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.70					CAD	0.8408	0.8957
NZD/USD	0.6253	-0.0001	-0.0004	-0.0013	-0.0042	CHF	0.5617	0.5984
NZD/AUD	0.9386	-0.0013	-0.0038	-0.0078	-0.0150	CNY	4.3740	4.6594
NZD/JPY	86.09	-0.43	-1.29	-2.58	-5.10	DKK	4.2954	4.5757
NZD/EUR	0.5770	-0.0012	-0.0034	-0.0066	-0.0131	FJD	1.3677	1.4569
NZD/GBP	0.5006	-0.0005	-0.0012	-0.0024	-0.0046	HKD	4.8959	5.2154
						KRW	833.62	888.02
AU TWI	60.60					MYR	2.8264	3.0108
AUD/USD	0.6661	0.0008	0.0023	0.0040	0.0054	NOK	6.7333	7.1726
AUD/NZD	1.0651	0.0014	0.0042	0.0085	0.0158	SEK	6.5310	6.9571
AUD/JPY	91.68	-0.33	-1.01	-2.04	-4.07	SGD	0.8392	0.8939
AUD/EUR	0.6145	-0.0004	-0.0011	-0.0019	-0.0044	TWD	19.24	20.50
AUD/GBP	0.5333	0.0003	0.0009	0.0018	0.0034	ZAR	12.04	12.83
USD Index	102.85					EQUITIES		
EUR/USD	1.0839	0.0020	0.0056	0.0098	0.0165		Index	
USD/JPY	137.62	-0.66	-1.97	-3.84	-7.19	NZX50	11,952	
GBP/USD	1.2487	0.0008	0.0022	0.0031	0.0022	ASX200	7,199	
EUR/GBP	0.8677	0.0009	0.0029	0.0056	0.0116	Dow Jones	33,420	
						S&P 500	4,160	
INTEREST RATES			New Zealand		Australia	FTSE100	7,723	
			Mid		Mid	DAX 30	15,951	
30 day bank bills			5.57%		3.87%	Nikkei	30,094	
90 day bank bills			5.70%		3.97%	COMMODITIES		
1 year swap			5.69%		3.88%		USD	
2 year swap			5.11%		3.75%	Brent Crude	76.88	
3 year swap			4.71%		3.57%	Gold	1,982.49	
5 year swap			4.34%		3.44%	Silver	23.75	
10 year swap			4.22%		3.79%	Iron Ore	106.84	
3 year Govt bond			4.42%		3.18%	CRB Index	289.83	
5 year Govt bond			4.19%		3.19%		NZD	
10 year Govt bond			4.27%		3.51%	NZ Carbon	51.50	

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