

# Market Alert

Tuesday 23 May 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6285	-0.0019
NZD/AUD	0.9448	-0.0088
NZD/JPY	87.03	-2.69
NZD/EUR	0.5811	-0.0072
NZD/GBP	0.5052	-0.0029
NZD/CNH	4.4290	-0.0771
AUD/USD	0.6650	0.0040
AUD/EUR	0.6147	-0.0019
EUR/USD	1.0815	0.0100
USD/CNH	7.0471	-0.1019
GBP/USD	1.2437	0.0029
EUR/GBP	0.8693	0.0056

  

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.85%
90 day bills	5.85%	3.97%
2 year swap	5.43%	3.85%
10 year Govt	4.46%	3.67%

## Treading water as uncertainty lingers

Last night was a non-event, with equities, currencies, and bond markets all trading in tight ranges as participants debated the pros and cons on the latest debt ceiling negotiations. The latest version has seen the Republican's lower their demands on spending caps, although they still want a multi-year deal with a larger increase on defense spending. This saw US treasuries firm a touch, with the 2 and 10-year yields 3bps higher (the 10-year yield reaching the 3.70% level).

In New Zealand, the NZIERs Shadow Board is "divided over whether the RBNZ should increase the OCR in the May Monetary Policy Statement. A larger number of Shadow Board members viewed an OCR increase of 25bps to 5.50% as warranted

(although) the rest of the Shadow Board members recommend the RBNZ should keep the OCR at 5.25%." Interesting that noone from the Shallow Board is calling for 50bps, which the markets has priced at a 25% possibility!

Fed voter Neel Kashkari, in discussing options for next month's FOMC meeting, announced "Right now it's a close call either way, versus raising another time in June or skipping. If we were to skip in June, that does not mean we're done with our tightening cycle. It means to me we're getting more information," although non-voter James Bullard stated, "I'm thinking two more moves this year - exactly where those would be this year I don't know - but I've often advocated sooner rather than later." Colleague Mary Daly declined to comment on what action the Fed may take at its June meeting although she "wants to see an ongoing slowing in super-core inflation."

But the ECB's François Villeroy de Galhau probably put it best when he stated, "The primary question today is not how much further to hike rates, but how large is the pass-through of what is already in the pipe. In the current tightening cycle, the lag in policy transmission may be at the upper end of a 1-2 year range." Are you listening Mr. Orr?

## Interesting facts

US bank, PacWest Bancorp (no relation) has agreed to sell a USD2.6bn portfolio of 74 real estate construction loans at a discount in an attempt to shore-up the

bank's liquidity. US commercial property loans are increasingly being seen as 'the next shoe to drop' given rising rates and empty buildings.

China has banned Chinese companies working on key infrastructure projects from buying products from US semiconductor manufacturer Micron after its products failed a 'cybersecurity review'. Micron shares were down -5% on the news.

Meta has been fined a record USD1.3bn by the EU after it breached privacy laws after it failed to protect personal information from the US security services.

A reportedly AI-generated photo of a fake explosion at the Pentagon spread rapidly through social media prompting mass confusion among traders and a brief sell-off in US equities.

## Equity worries

BoA has suggested the S&P500 is a 'hard sell' with buyers being 'sucked in' ahead of a hard landing while Barclays suggested "Mega-cap outperformance is not unusual in historical instances of heightened stress, (although) we would caution against an overly bullish interpretation as equities are still exposed to earnings risk and we see few upside catalysts, leaving risk/reward skewed asymmetrically to the downside."



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# Daily Rates

Tuesday 23 May 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.20					CAD	0.8490	0.8985
NZD/USD	0.6285	-0.0002	-0.0007	-0.0019	-0.0051	CHF	0.5640	0.5969
NZD/AUD	0.9448	-0.0015	-0.0042	-0.0088	-0.0166	CNY	4.4115	4.6711
NZD/JPY	87.03	-0.46	-1.32	-2.69	-5.33	DKK	4.3272	4.5787
NZD/EUR	0.5811	-0.0013	-0.0036	-0.0072	-0.0141	FJD	1.3744	1.4542
NZD/GBP	0.5052	-0.0005	-0.0014	-0.0029	-0.0052	HKD	4.9198	5.2055
						KRW	825.77	873.72
AU TWI	60.70					MYR	2.8572	3.0231
AUD/USD	0.6650	0.0008	0.0022	0.0040	0.0058	NOK	6.8508	7.2486
AUD/NZD	1.0580	0.0015	0.0045	0.0095	0.0176	SEK	6.6358	7.0214
AUD/JPY	92.10	-0.35	-0.99	-2.03	-4.12	SGD	0.8455	0.8946
AUD/EUR	0.6147	-0.0004	-0.0011	-0.0019	-0.0044	TWD	19.27	20.38
AUD/GBP	0.5345	0.0002	0.0009	0.0018	0.0038	ZAR	12.08	12.78
USD Index	103.22					<b>EQUITIES</b>		
EUR/USD	1.0815	0.0020	0.0054	0.0100	0.0170		<b>Index</b>	
USD/JPY	138.48	-0.69	-1.94	-3.90	-7.37	NZX50	11,993	
GBP/USD	1.2437	0.0008	0.0020	0.0029	0.0021	ASX200	7,263	
EUR/GBP	0.8693	0.0010	0.0028	0.0056	0.0120	Dow Jones	3,304	
						S&P 500	4,200	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,771	
			<b>Mid</b>		<b>Mid</b>	DAX 30	16,224	
30 day bank bills			5.71%		3.86%	Nikkei	31,087	
90 day bank bills			5.85%		3.97%	<b>COMMODITIES</b>		
1 year swap			5.91%		4.00%		<b>USD</b>	
2 year swap			5.43%		3.85%	Brent Crude	75.97	
3 year swap			5.00%		3.70%	Gold	1,972.82	
5 year swap			4.57%		3.64%	Silver	23.64	
10 year swap			4.43%		3.97%	Iron Ore	107.10	
3 year Govt bond			4.72%		3.36%	CRB Index	289.26	
5 year Govt bond			4.46%		3.36%		<b>NZD</b>	
10 year Govt bond			4.46%		3.67%	NZ Carbon	54.00	

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