

Market Alert

Monday 29 May 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6074	-0.0007
NZD/AUD	0.9271	-0.0076
NZD/JPY	84.93	-2.56
NZD/EUR	0.5635	-0.0063
NZD/GBP	0.4920	-0.0016
NZD/CNH	4.3002	0.0000
AUD/USD	0.6520	0.0045
AUD/EUR	0.6079	-0.0018
EUR/USD	1.0723	0.0106
USD/CNH	7.0732	0.0000
GBP/USD	1.2343	0.0024
EUR/GBP	0.8685	0.0068

INT RATES	NZ	Australia
OCR/Cash	5.50%	3.85%
90 day bills	5.71%	4.00%
2 year swap	5.25%	3.91%
10 year Govt	4.47%	3.82%

The charade is all over!

The debt ceiling charade that is ... although there are still plenty of other charades going on!

Once again, well, the 79th time since 1960, the US has managed to find a resolution and raised its debt ceiling limit. This time it was agreed as part of a 2-year budget agreement that, apparently replicates the last 3 debt deals. At this stage its being referred to as an 'agreement in principle,' so there is a chance it could get derailed at the last minute, but I suspect it suits both sides to move on from here. At least we can now delay those pesky default conversations for another couple of years.

But for every ying there is a yang, and for those of you thinking that inflation was under control and reverting to trend,

well, you should think again after US core PCE inflation rose 0.4% in April, which was above expectations at 0.3%. On the year, the core annual rate of inflation inched up to 4.7%, which was also above forecasts at 4.6%. At a headline level, the Fed's preferred inflation measure also exceed expectations increasing 0.4% and 4.4%, which was above initial forecasts at 0.3% and 4.3% expected.

Interestingly, Friday saw international equity markets surge as rumours spread that the US were close to a resolution of its debt issues which were confirmed over the weekend, although the poor PCE deflator print reinforced bets the Fed will likely maintain its hawkish stance and keep interest rates elevated for an extended period. This saw short-end US Treasury yields gap higher with the 2-year up 6bps to 4.59%, while the 10-year flatlined at 3.80%. This supported the USD-index, which closed the week out above the 104.00 level, which contributed the poor performance of the NZD and AUD. Commodity markets also closed in positive territory with oil up 1.2% while copper bucked its recent trend to close 2.1% higher.

In other headlines, US durable goods orders rose 1.1% in April while March's result was revised up to 3.3%. Personal spending jumped to its highest level in 3-month rising 0.8% against forecasts at 0.4%. Beyond the US releases, Chinese industrial profits fell by 20.6% from a year earlier in the first 4-months of 2023 amid the weakening economic recovery, feeble demand, and margin pressures.

Rumours abound that the PBoC will lower the Reserve Requirement Ratio for major banks in Q3 as the economic rebound loses steam with a 25bps cut to 10.5% the 'word on the street.'

UK Chancellor Jeremy Hunt confirmed he supports higher interest rates to tackle inflation, even if it causes a recession while, from the Euro-zone, ECB member Boris Vujcic confirmed inflation remains persistent, especially core inflation, while ECB Chief Economist Philip Lane said the battle with inflation is at a crucial stage!

In NZ, household debt owed to the Government is close to NZD2.4 billion which is an incredible increase of 25%, as the cost-of-living crisis pushes the poorest Kiwis further into debt!

Looking ahead.

As we enter June, focus will turn to the US labour report, JOLTS job openings, ISM Manufacturing PMIs, and consumer confidence. Beyond the US, we have the latest inflation updates from the Eurozone, Germany, and France, Q2 GDP from Canada, and manufacturing PMIs from China. From Japan we have retail sales, industrial production, consumer confidence, unemployment, and manufacturing PMIs, while, from Australia, we have the monthly CPI Indicator, building permits, home loans, private capital expenditure, construction, and private sector credit.



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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	70.50					CAD	0.8262	0.8874
NZD/USD	0.6074	-0.0001	-0.0003	-0.0007	-0.0024	CHF	0.5499	0.5898
NZD/AUD	0.9271	-0.0013	-0.0038	-0.0076	-0.0147	CNY	4.2652	4.5947
NZD/JPY	84.93	-0.43	-1.27	-2.56	-5.12	DKK	4.2180	4.5277
NZD/EUR	0.5635	-0.0012	-0.0033	-0.0063	-0.0126	FJD	1.3459	1.4447
NZD/GBP	0.4920	-0.0004	-0.0010	-0.0016	-0.0023	HKD	4.7578	5.1071
						KRW	803.38	862.37
AU TWI	59.90					MYR	2.7922	2.9972
AUD/USD	0.6520	0.0008	0.0024	0.0045	0.0070	NOK	6.7171	7.2103
AUD/NZD	1.0759	0.0014	0.0042	0.0084	0.0152	SEK	6.5609	7.0426
AUD/JPY	91.63	-0.33	-1.00	-2.03	-4.13	SGD	0.8212	0.8815
AUD/EUR	0.6079	-0.0004	-0.0011	-0.0018	-0.0041	TWD	18.64	20.00
AUD/GBP	0.5281	0.0003	0.0011	0.0026	0.0058	ZAR	11.93	12.81
USD Index	104.23					EQUITIES		
EUR/USD	1.0723	0.0019	0.0057	0.0106	0.0187		Index	
USD/JPY	140.67	-0.68	-2.03	-4.05	-7.87	NZX50	11,830	
GBP/USD	1.2343	0.0008	0.0020	0.0024	-0.0001	ASX200	7,155	
EUR/GBP	0.8685	0.0010	0.0032	0.0068	0.0154	Dow Jones	33,093	
						S&P 500	4,205	
INTEREST RATES			New Zealand		Australia	FTSE100	7,627	
			Mid		Mid	DAX 30	15,984	
30 day bank bills			5.63%		3.88%	Nikkei	30,916	
90 day bank bills			5.71%		4.00%	COMMODITIES		
1 year swap			5.76%		4.03%		USD	
2 year swap			5.25%		3.91%	Brent Crude	76.95	
3 year swap			4.89%		3.79%	Gold	1,946.33	
5 year swap			4.56%		3.75%	Silver	23.31	
10 year swap			4.45%		4.06%	Iron Ore	105.41	
3 year Govt bond			4.59%		3.49%	CRB Index	288.45	
5 year Govt bond			4.39%		3.51%		NZD	
10 year Govt bond			4.47%		3.82%	NZ Carbon	55.00	

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