

Market Alert

Monday 8 May 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6290	-0.0011
NZD/AUD	0.9318	-0.0076
NZD/JPY	84.85	-2.47
NZD/EUR	0.5711	-0.0063
NZD/GBP	0.4976	-0.0021
NZD/CNH	4.3553	0.0000
AUD/USD	0.6743	0.0042
AUD/EUR	0.6111	-0.0019
EUR/USD	1.1031	0.0102
USD/CNH	6.9206	0.0000
GBP/USD	1.2632	0.0028
EUR/GBP	0.8729	0.0060

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.85%
90 day bills	5.65%	3.92%
2 year swap	5.00%	3.52%
10 year Govt	4.16%	3.41%

Well done Charlie boy!

It only took 70-odd years, but you got there in the end!

For all the talk of US banking issues, the wider US economy continues to go from strength to strength after 253k jobs were added in April, which was well above expectations at 185k, although the prior month's headline was revised down to 165k. The jobless rate decreased to 3.4%, matching the 50-year low hit in January, while average hourly earnings rose at the fastest rate in 9 months, increasing 0.5% following on from March's 0.3%. In Europe, German factory orders declined 11% in March.

US Treasury Secretary Janet Yellen reiterated that a failure to raise the US debt ceiling would cause a "steep economic downturn," while the ECB's

rent-a-quote crowd were out and about with Gediminas Simkus warning "last week's ECB rate increase won't be the last." Francois Villeroy added that he backs "the current approach of smaller hikes over the 50-bp step some colleagues preferred", while Bostjan Vasle reiterated, "the next steps will depend on the data." Finally, Klaas Knot stated, "The ECB will have to raise borrowing costs as long as the underlying inflation hasn't been tamped down. Our real problem at the moment is that core inflation is still too high."

However, the quote of the weekend belonged to Warren Buffet who announced at his annual shareholder meeting, "In the 58 years we've been running Berkshire, I would say there's been a great increase in the number people doing dumb things, and they do big dumb things!" Mind you, Warren's sidekick, Charlie Munger, did pretty well suggesting bankers should be more responsible, saying "Bankers should be more like engineers...avoiding trouble instead of trying to get rich!" Overall, Warren Buffett expressed optimism despite the market's recent anxiety.

Friday's release of the RBA minutes didn't tell us anything we didn't already know. "Some further tightening may be required to reach target in a reasonable timeframe... The longer inflation remains above target, the greater the risk of price-wage spiral... The Board wants to preserve as much of employment gains as possible... Australian house prices, and the AUD, had responded to expectations that rates might not increase..." Etc, etc, etc.

China Caixin services PMIs fell to 56.4 from 57.3, which saw the composite ease to 53.6 from 54.5, adding to concerns about the recovery.

Financial markets closed out the week in positive territory with international equity markets 1.0%-2.5% higher, while oil spiked 4.0% on recovery optimism. US yields also spiked, with the 2-year and 10-year yields 19bps and 8bps higher at 3.92% and 3.45% respectively, while the USD-index closed just below the 101.00 level, which supported the NZD, AUD, and EUR.

Last week saw equity markets attract USD59.5bn, their lowest amount in 9-weeks, while money-market funds have attracted USD588bn in the past 10-weeks!

And a big well done to Nick O'Kane ...

... the Macquarie Commodity and Global Markets head who received a 59% boost on his remuneration to March 2023, which saw it rise to AUD57.6m!

This week, once again, US data releases will dominate given we have inflation, producer prices, import/export prices, as well as the Michigan consumer confidence release. In the UK, the market expects a further BoE hike while we also have Q1 GDP. China is also set to release its trade balance, inflation rate, and loan growth data, Australia will report on consumer and business confidence, while we also have NZ business confidence figures.



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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	0.8420	0.9033
NZD/USD	0.6290	-0.0001	-0.0004	-0.0011	-0.0043	CHF	0.5604	0.5994
NZD/AUD	0.9318	-0.0012	-0.0038	-0.0076	-0.0144	CNY	4.3485	4.6629
NZD/JPY	84.85	-0.41	-1.24	-2.47	-4.83	DKK	4.2465	4.5523
NZD/EUR	0.5711	-0.0011	-0.0033	-0.0063	-0.0122	FJD	1.3659	1.4643
NZD/GBP	0.4976	-0.0005	-0.0012	-0.0021	-0.0036	HKD	4.9361	5.2916
						KRW	828.69	888.37
AU TWI	60.70					MYR	2.7896	2.9905
AUD/USD	0.6743	0.0008	0.0023	0.0042	0.0053	NOK	6.6305	7.1081
AUD/NZD	1.0716	0.0011	0.0040	0.0082	0.0156	SEK	6.4028	6.8640
AUD/JPY	91.00	-0.33	-0.97	-1.93	-3.85	SGD	0.8331	0.8931
AUD/EUR	0.6111	-0.0004	-0.0011	-0.0019	-0.0038	TWD	19.24	20.63
AUD/GBP	0.5334	0.0002	0.0009	0.0021	0.0043	ZAR	11.58	12.41
USD Index	101.28					EQUITIES		
EUR/USD	1.1031	0.0020	0.0057	0.0102	0.0163		Index	
USD/JPY	134.83	-0.63	-1.89	-3.68	-6.81	NZX50	11,889	
GBP/USD	1.2632	0.0009	0.0022	0.0028	0.0007	ASX200	7,220	
EUR/GBP	0.8729	0.0009	0.0029	0.0060	0.0125	Dow Jones	33,674	
						S&P 500	4,136	
INTEREST RATES			New Zealand		Australia	FTSE100	7,778	
			Mid		Mid	DAX 30	15,961	
30 day bank bills			5.52%		3.87%	Nikkei	29,158	
90 day bank bills			5.65%		3.92%	COMMODITIES		
1 year swap			5.58%		3.72%		USD	
2 year swap			5.00%		3.52%	Brent Crude	75.30	
3 year swap			4.59%		3.37%	Gold	2,016.54	
5 year swap			4.22%		3.35%	Silver	25.65	
10 year swap			4.13%		3.74%	Iron Ore	103.55	
3 year Govt bond			4.32%		3.00%	CRB Index	288.58	
5 year Govt bond			4.09%		3.04%		NZD	
10 year Govt bond			4.16%		3.41%	NZ Carbon	54.50	

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