

Market Alert

Monday 19 June 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6221	-0.0007
NZD/AUD	0.9063	-0.0047
NZD/JPY	88.42	-2.59
NZD/EUR	0.5692	-0.0058
NZD/GBP	0.4852	-0.0010
NZD/CNH	4.4302	0.0000
AUD/USD	0.6870	0.0027
AUD/EUR	0.6281	-0.0032
EUR/USD	1.0933	0.0099
USD/CNH	7.1270	0.0000
GBP/USD	1.2817	0.0011
EUR/GBP	0.8530	0.0069

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.71%	4.35%
2 year swap	5.34%	4.46%
10 year Govt	4.56%	4.09%

Friday saw ...

... a quiet end to a volatile week with the only release of note from the US being the University of Michigan's consumer sentiment index which increased to its highest level in 4-months at 63.9 in June, up from May's 59.2. Forecasts had been for a 60 print, reflecting greater optimism as inflation eased and policymakers resolved the debt ceiling crisis.

Against this, Fed member, Christopher Waller, highlighted his personal views in that officials shouldn't allow the fight against inflation to be derailed by concerns over a 'few' lenders as, "I do not support altering the stance of monetary policy over worries of ineffectual management at a few banks," while his

Chicago colleague, Austan Goolsbee suggested the central bank needed to pause interest-rate increases to be able to better assess conflicting economic data as, "there's conflicting data on whether we're too hot, or we have done enough. I think of it as a reconnaissance mission, pausing now to go scope it out before charging up the hill another time."

Eurozone hourly labour costs eased from 5.7% to 5.0% in Q1 2023, although it was higher than forecasts of 3.3%. Hourly wages and salaries remained elevated at 4.6% following Q4's 5.0%, while the non-wage component was at 6.2% compared to Q4's 7.4%. We also had Bundesbank President Joachim Nagel warn the ECB may need to extend the rate hiking cycle into the fall, while Belgium's Pierre Wunsch suggested monetary tightening may need to persist beyond September.

Friday also saw the BoJ retain its ultra-loose monetary policy settings, as was expected, maintaining its short-term interest rate target at -0.1% and hold its 10-year JGB yield target within the -0.50% to 0.50% range. The YCC decision was passed on a unanimous vote while BoJ Governor Kazuo Ueda, in his press conference, also struck a cautious stance on inflation suggesting prices would slow later this year.

In China, the Securities Times reported the PBoC may cut their 5-year benchmark lending rate further this week as economists continue to downgrade their China GDP forecasts to 5.5% or lower.

Friday's price action saw European bourses close in positive territory, while the US exchanges closed 'in-the-red.' There was plenty of action in the currency markets after the BoJ decision saw USD/JPY break above the 140.00 level while NZD/JPY appears to be targeting its 88.16 December high. GBP/USD also surged breaching the 1.28 level to reach its highest level since April 2022 as investors anticipated a BoE rate hike later this week while the NZD/USD and AUD/USD eased back from Thursday's highs. Bond prices posted modest gains, with the 2 and 10 years 7 up at 4.72% and 3.77%, while commodities posted modest gains.

In the week ahead

Investors will monitor speeches by several Federal Reserve policymakers while the Fed Chair, Jerome Powell, and his colleagues Lisa Cook and Philip Jefferson, will testify before Congress. In the UK, the BoE is anticipated to raise the bank rate by another 25 bps to 4.75%, which would be the 13th consecutive rate hike. Meanwhile in Australia, the focus will be on the RBA minutes and June PMI's data. In New Zealand, we have an update on trade figures and the latest iteration of the Emissions Trading Scheme.



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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	71.50					CAD	0.8214	0.9072
NZD/USD	0.6221	-0.0001	-0.0004	-0.0007	-0.0016	CHF	0.5560	0.6129
NZD/AUD	0.9063	-0.0009	-0.0026	-0.0047	-0.0086	CNY	4.4297	4.8871
NZD/JPY	88.42	-0.42	-1.30	-2.59	-5.24	DKK	4.2348	4.6765
NZD/EUR	0.5692	-0.0010	-0.0030	-0.0058	-0.0119	FJD	1.3495	1.4902
NZD/GBP	0.4852	-0.0003	-0.0008	-0.0010	-0.0009	HKD	4.8646	5.3721
						KRW	793.89	876.72
AU TWI	63.10					MYR	2.8685	3.1678
AUD/USD	0.6870	0.0005	0.0015	0.0027	0.0037	NOK	6.5541	7.2379
AUD/NZD	1.1026	0.0011	0.0030	0.0052	0.0083	SEK	6.6046	7.2936
AUD/JPY	97.54	-0.37	-1.16	-2.38	-4.93	SGD	0.8320	0.9188
AUD/EUR	0.6281	-0.0005	-0.0016	-0.0032	-0.0074	TWD	19.08	21.07
AUD/GBP	0.5358	0.0002	0.0006	0.0016	0.0040	ZAR	11.31	12.49
USD Index	102.30					EQUITIES		
EUR/USD	1.0933	0.0017	0.0051	0.0099	0.0191		Index	
USD/JPY	141.82	-0.65	-2.00	-4.00	-7.95	NZX50	11,800	
GBP/USD	1.2817	0.0005	0.0013	0.0011	-0.0020	ASX200	7,251	
EUR/GBP	0.8530	0.0009	0.0031	0.0069	0.0164	Dow Jones	34,299	
						S&P 500	4,410	
INTEREST RATES			New Zealand		Australia	FTSE100	7,643	
			Mid		Mid	DAX 30	16,358	
30 day bank bills			5.63%		4.15%	Nikkei	33,706	
90 day bank bills			5.71%		4.35%	COMMODITIES		
1 year swap			5.75%		4.60%		USD	
2 year swap			5.34%		4.46%	Brent Crude	76.61	
3 year swap			4.98%		4.28%	Gold	1,957.36	
5 year swap			4.60%		4.15%	Silver	24.15	
10 year swap			4.46%		4.31%	Iron Ore	113.02	
3 year Govt bond			4.77%		4.06%	CRB Index	300.66	
5 year Govt bond			4.55%		3.98%		NZD	
10 year Govt bond			4.56%		4.09%	NZ Carbon	60.00	

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