

Market Alert

Tuesday 20 June 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6199	-0.0007
NZD/AUD	0.9050	-0.0048
NZD/JPY	87.98	-2.60
NZD/EUR	0.5675	-0.0058
NZD/GBP	0.4850	-0.0011
NZD/CNH	4.4394	-0.0704
AUD/USD	0.6847	0.0028
AUD/EUR	0.6270	-0.0032
EUR/USD	1.0918	0.0095
USD/CNH	7.1631	-0.1062
GBP/USD	1.2781	0.0007
EUR/GBP	0.8542	0.0066

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.71%	4.37%
2 year swap	5.32%	4.50%
10 year Govt	4.49%	4.04%

The be-all and end-all!

... it was a quiet session as the country celebrated American Wyndham Clark's first major title win, the US Open by one shot over Rory McIlroy. But while that brought a smile to the face, spare a thought for the All Whites after their game against Qatar was abandoned after New Zealand player Michael Boxall was racially abused by a Qatari player. Great to see a New Zealand team taking a stand when the FIFA officials wouldn't!

But what is this US holiday I hear you ask! Well, the Juneteenth, or 19th June federal holiday, marks the day when the last enslaved people in the United States learned they were free, and was signed into a national holiday by President Biden in 2021.

And speaking of President Biden, hot on the heels of NZ PM Chris Hipkin's announcement he will meet with China's President Xi Jinping next week, US President Biden announced he hopes to meet President Xi within the next few months. Meanwhile, NZ services PMIs increased from 50.1 to 53.3 in May.

Despite the US holiday, the NAHB/Wells Fargo US Housing Market Index rose by another 5 points to 55 in June, its highest print since July last year and easily ahead of forecasts at 51. Goldmans were also busy announcing US inflation will not fall as quickly as markets are currently pricing as, *"While we expect further declines in inflation going forward, markets appear considerably more optimistic than we are about the pace of cooling. A sharp deceleration in US economic growth will only have a limited chance of more rapid easing of price pressures."*

China's State Council is likely to roll-out further policy stimulus at a faster pace to support the domestic economy, with loan prime rates expected to be cut further this week, as well as expanding various macroeconomic policies to boost demand as, *"It is imperative to introduce policies that are more powerful. Policies that meet the necessary conditions should be promptly unveiled and implemented without delay."* This comes as the international banks continue to revise their Chinese forecasts lower. UBS revised down their 2023 GDP forecast from 5.7% to 5.2%, Nomura eased their

call from 5.5% to 5.1%, while Goldmans slashed their estimate from 6.0% to 5.4% as *"the upcoming policy stimulus will be unlikely to exceed those implemented in previous downturns while the property sector could cause a multi-year lag."*

UK house prices were flat in June following May's 1.8% gain. On the year, they have increased 1.1%.

Market sentiment sours

Given the recent rally by international equity markets, we probably shouldn't have been too surprised to see some profit taking on the US holiday, with European exchanges -0.50% to -1.0% lower overnight. Commodity markets were also broadly lower, with crude oil -2.25% lower, while bond yields and the USD firmed, with the US 2 and 10 year treasuries 7bp and 4bp higher to yield 4.72% and 3.77% respectively, while the stronger USD saw the NZD/USD and AUD/USD drop 0.50%.



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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	71.40					CAD	0.8191	0.9047
NZD/USD	0.6199	-0.0001	-0.0003	-0.0007	-0.0018	CHF	0.5555	0.6136
NZD/AUD	0.9050	-0.0009	-0.0026	-0.0048	-0.0083	CNY	4.4397	4.9038
NZD/JPY	87.98	-0.42	-1.29	-2.60	-5.22	DKK	4.2282	4.6701
NZD/EUR	0.5675	-0.0010	-0.0030	-0.0058	-0.0114	FJD	1.3476	1.4885
NZD/GBP	0.4850	-0.0003	-0.0008	-0.0011	-0.0007	HKD	4.8457	5.3522
						KRW	795.00	878.10
AU TWI	63.00					MYR	2.8670	3.1667
AUD/USD	0.6847	0.0005	0.0016	0.0028	0.0036	NOK	6.6132	7.3045
AUD/NZD	1.1044	0.0011	0.0031	0.0055	0.0085	SEK	6.6499	7.3451
AUD/JPY	97.20	-0.37	-1.16	-2.37	-4.94	SGD	0.8313	0.9183
AUD/EUR	0.6270	-0.0005	-0.0015	-0.0032	-0.0071	TWD	19.09	21.09
AUD/GBP	0.5357	0.0002	0.0006	0.0016	0.0040	ZAR	11.27	12.45
USD Index	102.52					EQUITIES		
EUR/USD	1.0918	0.0017	0.0051	0.0095	0.0195		Index	
USD/JPY	141.96	-0.65	-2.02	-4.05	-8.29	NZX50	11,751	
GBP/USD	1.2781	0.0004	0.0011	0.0007	-0.0029	ASX200	7,295	
EUR/GBP	0.8542	0.0009	0.0031	0.0066	0.0160	Dow Jones	34,229	
						S&P 500	4,410	
INTEREST RATES			New Zealand		Australia	FTSE100	7,588	
			Mid		Mid	DAX 30	16,201	
30 day bank bills			5.63%		4.16%	Nikkei	33,370	
90 day bank bills			5.71%		4.37%	COMMODITIES		
1 year swap			5.74%		4.55%		USD	
2 year swap			5.32%		4.50%	Brent Crude	76.13	
3 year swap			4.96%		4.33%	Gold	1,950.12	
5 year swap			4.57%		4.14%	Silver	23.94	
10 year swap			4.42%		4.27%	Iron Ore	113.02	
3 year Govt bond			4.69%		4.04%	CRB Index	300.66	
5 year Govt bond			4.47%		3.95%		NZD	
10 year Govt bond			4.49%		4.04%	NZ Carbon	59.25	

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