

# Market Alert

Wednesday 21 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%

## Little direction for markets

It was a fairly muted session yesterday, with the USD modestly higher overnight and the benchmark US 10-year yield easing 3bp to 3.72%. Markets will be looking towards tomorrow's congressional testimony from Fed Chair Jerome Powell for any clues as to US monetary policy direction after the Fed kept interest rates unchanged at its last meeting however warned of more tightening ahead. Market pricing reflects one further hike later this year, although much will depend on how the data unfolds. US equities were down as markets worry prices have risen too high after the S&P 500 recently hit a 14-month high.

The NZD/USD dipped briefly towards 0.6130 overnight but starts this morning near 0.6170. The AUD/USD followed a

similar pattern, retracing a brief dip to 0.6750 overnight.

The overnight dairy auction came in better than expected, with the GDT Price Index unchanged in USD terms on very light volume.

## Further Chinese stimulus

In an expected move, the People's Bank of China reduced its one-year and five-year loan prime rates by a modest 10bps each yesterday. Although the modest reduction disappointed some who were looking for stronger stimulus to support the struggling property market and a Chinese economy which is fast losing steam. While central bank easing has already pushed the average mortgage rate in China to a record low, a number of forecasters have recently downgraded their expectations for China's economic growth this year.

The yield on China's 10-year government bond dropped 2bps to 2.68%, meanwhile the Yuan weakened noticeably following the interest rate cut. From 6.700 in early January, the USD/CNY is now closing in on 7.200, with Chinese policymakers seemingly keen to use a depreciating currency as an economic lever.

On the equities side, China's equity markets have struggled to gain momentum to date in 2023 while Japan's market has been at the other end of the spectrum. The Nikkei 225 equity index has climbed 30% this year, reaching levels not seen since the late 1980s.

## RBA less hawkish than expected

The minutes from the RBA's June policy meeting showed the decision to hike by 25bp to 4.10% was "finally balanced". The decision came after monthly inflation data for April accelerated unexpectedly. The close nature of the decision saw markets pare bets the RBA will hike twice more this year and prompted the AUD to drop.

Separately, a speech by Deputy Governor Michele Bullock yesterday worryingly warned that unemployment will have to rise towards 4.5%, from 3.6% current, for inflation to return to target. RBA forecasts show headline inflation only reaching the 2.00-3.00% target in mid-2025, from around 7.00% currently.



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# Daily Rates

Wednesday 21 June 2023

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					<b>EQUITIES</b>		
EUR/USD	1.0918	0.0017	0.0051	0.0095	0.0195		<b>Index</b>	
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	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,588	
			<b>Mid</b>		<b>Mid</b>	DAX 30	16,201	
30 day bank bills			5.63%		4.16%	Nikkei	33,370	
90 day bank bills			5.71%		4.37%	<b>COMMODITIES</b>		
1 year swap			5.74%		4.55%		<b>USD</b>	
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%		<b>NZD</b>	
10 year Govt bond			4.49%		4.04%	NZ Carbon	59.25	

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