

Market Alert

Friday 23 June 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6173	-0.0006
NZD/AUD	0.9139	-0.0049
NZD/JPY	88.40	-2.64
NZD/EUR	0.5635	-0.0055
NZD/GBP	0.4842	-0.0002
NZD/CNH	4.4432	-0.0711
AUD/USD	0.6755	0.0029
AUD/EUR	0.6164	-0.0029
EUR/USD	1.0955	0.0097
USD/CNH	7.1964	-0.1082
GBP/USD	1.2745	-0.0011
EUR/GBP	0.8595	0.0081

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.71%	4.33%
2 year swap	5.41%	4.47%
10 year Govt	4.58%	4.04%

Did someone say we're nearing the peak of the global hiking cycle?

Given last night's activity ... I'm not so sure ...

Underlying inflationary pressures saw the BoE exceed expectations and hike the cash rate 50bp to lift borrowing costs to 5.00%. The UK cash rate is now at its highest level since 2008 although market pricing has a further 100bp of hikes priced in by year end after the statement emphasised, "If there were to be evidence of more persistent pressures, then further tightening in monetary policy would be required." The BoE Governor, Andrew Bailey, also tweeted, "Inflation is still too high, and we have got to deal with it. If we don't raise rates now, it could be worse later."

The Norwegian central bank, the Norges Bank, also surprised to the upside with a 50bps hike to lift their cash rate to 3.75% as, "The Committee's current assessment implies that the policy rate will most likely be raised further in August." Governor Bache then added, "If we do not raise the policy rate, prices and wages could continue to rise rapidly and inflation become entrenched."

The Swiss National Bank, the SNB, 'only' delivered a 25bp hike increase to lift its policy rate from 1.50% to 1.75%. Chairman Jordan then added, "Underlying inflationary pressure have risen further. That means tighter monetary policy is necessary to bring inflation sustainably back below 2.00%, but we can also afford the more gradual approach."

Finally, the Turkish central bank increased interest rates as well, lifting the country's key interest rate from 8.50% to 15.00% ... yes, you read that correctly! But there was a positive, the 650bp rate rise was well below analyst expectations for a 1,150bps hike to 20.00%!

And Mr Powell didn't help either ...

... after he spoke for the second day at his senate testimony stating, "We don't see rate cuts any time soon. The FOMC broadly feels it will be appropriate to raise rate again this year, and perhaps 2 more times. We think we are within a couple of rate hikes of the level we need to be. I think there is a path to a soft landing. We do expect the unemployment rate will go up a little bit. The

Fed may also raise the capital requirements for 'big' banks by 20.0%."

Interestingly, a recent note from BoA noted that 'we pay particularly close attention to Governor Waller' adding he recently stated, "core inflation is just not moving and that's going to require probably some more tightening to get it down." On a positive note, but not for those it actually impacts, US initial claims flatlined at the 246k level to remain in the 260k-265k range for the 3rd consecutive week, while existing home sales increased 2.3% on May.

In New Zealand, we continue to see the impact of the recession affect after May credit card spending rose a modest 3.3% on the year, which was a lot lower than the 13.9% expected and April's 11.4%. The trade balance also produced a small NZD46mn surplus although for the 12-months to May, the deficit stands at NZD17.119bn.

Global equity markets were, understandably, -0.25% to -1.00% lower, as were commodities. Bond yields firmed, with the US 2-year and 10-year 9bp and 8bp higher at 4.79% and 3.80% respectively, while the US found mild support which saw the NZD, AUD, and EUR ease lower.



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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	71.60					CAD	0.8118	0.8885
NZD/USD	0.6173	-0.0001	-0.0003	-0.0006	-0.0015	CHF	0.5526	0.6047
NZD/AUD	0.9139	-0.0009	-0.0026	-0.0049	-0.0087	CNY	4.4295	4.8471
NZD/JPY	88.40	-0.42	-1.30	-2.64	-5.25	DKK	4.1960	4.5916
NZD/EUR	0.5635	-0.0010	-0.0029	-0.0055	-0.0110	FJD	1.3484	1.4755
NZD/GBP	0.4842	-0.0002	-0.0005	-0.0002	0.0005	HKD	4.8336	5.2893
						KRW	802.22	877.86
AU TWI	62.30					MYR	2.8692	3.1397
AUD/USD	0.6755	0.0005	0.0016	0.0029	0.0042	NOK	6.5685	7.1878
AUD/NZD	1.0938	0.0010	0.0030	0.0057	0.0093	SEK	6.6000	7.2223
AUD/JPY	96.71	-0.37	-1.16	-2.38	-4.86	SGD	0.8302	0.9085
AUD/EUR	0.6164	-0.0005	-0.0015	-0.0029	-0.0066	TWD	19.14	20.94
AUD/GBP	0.5298	0.0003	0.0010	0.0026	0.0055	ZAR	11.43	12.51
USD Index	102.42					EQUITIES		
EUR/USD	1.0955	0.0016	0.0050	0.0097	0.0184		Index	
USD/JPY	143.18	-0.65	-2.04	-4.10	-8.09	NZX50	11,739	
GBP/USD	1.2745	0.0003	0.0001	-0.0011	-0.0054	ASX200	7,196	
EUR/GBP	0.8595	0.0011	0.0034	0.0081	0.0180	Dow Jones	33,926	
						S&P 500	4,372	
INTEREST RATES			New Zealand		Australia	FTSE100	7,502	
			Mid		Mid	DAX 30	15,988	
30 day bank bills			5.63%		4.14%	Nikkei	33,265	
90 day bank bills			5.71%		4.33%	COMMODITIES		
1 year swap			5.78%		4.58%		USD	
2 year swap			5.41%		4.47%	Brent Crude	73.93	
3 year swap			5.04%		4.30%	Gold	1,914.29	
5 year swap			4.64%		4.11%	Silver	22.39	
10 year swap			4.46%		4.25%	Iron Ore	112.85	
3 year Govt bond			4.80%		4.01%	CRB Index	295.16	
5 year Govt bond			4.58%		3.94%		NZD	
10 year Govt bond			4.58%		4.04%	NZ Carbon	47.50	

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