

Market Alert

Thursday 13 July 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6295	-0.0005
NZD/AUD	0.9270	-0.0057
NZD/JPY	87.15	-2.64
NZD/EUR	0.5651	-0.0058
NZD/GBP	0.4845	-0.0002
NZD/CNH	4.5095	-0.0760
AUD/USD	0.6789	0.0038
AUD/EUR	0.6095	-0.0024
EUR/USD	1.1137	0.0105
USD/CNH	7.1650	-0.1210
GBP/USD	1.2992	-0.0011
EUR/GBP	0.8570	0.0084

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.71%	4.36%
2 year swap	5.48%	4.35%
10 year Govt	4.77%	4.19%

Direct from Australasia

Well, the RBNZ's July MPR was an event non-grata ... it kept us engaged and enthralled right up until the second the announcement was made, and the statement released, at which point, we went back to our knitting while we waited for the Governor's speech, Governor Philip Lowe that is!

The good Governor suggested, "Its possible some further tightening will be required. It remains to be determined whether monetary policy has more work to do given the complex picture on inflation and significant uncertainties regarding the outlook. There has been a 'significant and rapid' tightening of monetary policy (and we're) very conscious monetary policy operates with lag, the full effects are yet to

be felt. Economic growth will be subdued over next couple of years and will take time for inflation to return to target."

And if the Governor wasn't aware he had no friends in Canberra previously, he knows it now after Australian Treasurer, Chalmers confirmed no decision had yet been made on who the next RBA Governor will be as Cabinet had yet to vote on the matter!

Markets had been quiet ... until the US open.

While the RBNZ announcement and RBA Governor's speech were largely ignored, the US inflation print exploded on to the headlines, falling to 3.0% in the year to June, its lowest print since March 2021. Market expectations had been at 3.1%. More importantly, core inflation surprised to the downside, falling to 4.8% to reach its lowest level since October 2021. On a monthly basis, the headline and core both rose 0.2%, slightly better than the 0.3% expected. Make no mistake, this is a positive print, and one that the markets liked, but it's still likely the Fed will hike again on the 26-July meeting. Traders should take note that the BoC hiked as well, lifting their cash rate 25bp to 5.00%, with the statement highlighting that strong consumption and a tight labour market continues to underpin inflationary pressures, specifically for services, which sounds remarkably like the US. The BoC also revised its forecast projecting inflation will remain higher for

longer, around the 3.0% level for 2024 before easing to the 2.0% target in the middle of 2025.

I think at this stage it's important to remember that the withdrawal of the June 2022 1.2% monthly print was always going to reduce this month's year-on-year headline number, but in amongst the detail the index's largest contributor, shelter, remained high at 0.4%, while there was the added anomaly that airline fares fell an incredibly -8.1% on the month. Can you please take note Air New Zealand!

With the markets focusing on the US CPI release, and ignoring the BoC rate hike, equity markets rallied strongly in Europe, and moderately in the US. Bonds also rallied strongly, which saw the 2 and 10-year US yields fall -16bp and -12bp to yield 4.73% and 3.86%, while the USD-index fell to its lowest level since April 2022 sitting just above the 100.00 level. This saw the NZD/USD and AUD/USD rally to the top of their recent ranges, at 0.6300 and 0.6790, but remember, they're still in their ranges!

Japanese PPIs contracted -0.2% in the month of June, and 4.1% on the year, while Japanese core machinery orders, which is used as a leading indicator of capital spending, fell -7.6% in May.

The communist party-backed China Securities Journal announced it is anticipating increased fiscal stimulus to support economy.



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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	0.8299	0.8953
NZD/USD	0.6295	-0.0001	-0.0002	-0.0005	-0.0016	CHF	0.5458	0.5888
NZD/AUD	0.9270	-0.0010	-0.0028	-0.0057	-0.0112	CNY	4.5022	4.8556
NZD/JPY	87.15	-0.42	-1.27	-2.64	-5.14	DKK	4.2117	4.5422
NZD/EUR	0.5651	-0.0009	-0.0027	-0.0058	-0.0115	FJD	1.3649	1.4720
NZD/GBP	0.4845	-0.0001	-0.0002	-0.0002	0.0007	HKD	4.9265	5.3131
						KRW	802.47	865.44
AU TWI	61.70					MYR	2.9259	3.1555
AUD/USD	0.6789	0.0007	0.0019	0.0038	0.0055	NOK	6.3632	6.8626
AUD/NZD	1.0784	0.0012	0.0033	0.0064	0.0109	SEK	6.5313	7.0439
AUD/JPY	94.01	-0.35	-1.12	-2.28	-4.65	SGD	0.8370	0.9027
AUD/EUR	0.6095	-0.0003	-0.0011	-0.0024	-0.0053	TWD	19.60	21.14
AUD/GBP	0.5225	0.0004	0.0014	0.0031	0.0069	ZAR	11.41	12.30
USD Index	100.52					EQUITIES		
EUR/USD	1.1137	0.0017	0.0051	0.0105	0.0192		Index	
USD/JPY	138.45	-0.65	-2.02	-4.12	-7.91	NZX50	11,908	
GBP/USD	1.2992	0.0002	0.0000	-0.0011	-0.0060	ASX200	7,136	
EUR/GBP	0.8570	0.0011	0.0036	0.0084	0.0185	Dow Jones	34,335	
						S&P 500	4,475	
INTEREST RATES			New Zealand		Australia	FTSE100	7,416	
			Mid		Mid	DAX 30	16,023	
30 day bank bills			5.64%		4.15%	Nikkei	31,944	
90 day bank bills			5.71%		4.36%	COMMODITIES		
1 year swap			5.80%		4.49%		USD	
2 year swap			5.48%		4.37%	Brent Crude	80.35	
3 year swap			5.17%		4.24%	Gold	1,958.36	
5 year swap			4.80%		4.33%	Silver	24.10	
10 year swap			4.63%		4.47%	Iron Ore	109.34	
3 year Govt bond			5.02%		4.12%	CRB Index	298.89	
5 year Govt bond			4.79%		4.08%		NZD	
10 year Govt bond			4.77%		4.19%	NZ Carbon	39.25	

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