

Market Alert

Monday 17 July 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6355	-0.0004
NZD/AUD	0.9312	-0.0059
NZD/JPY	88.40	-2.65
NZD/EUR	0.5655	-0.0056
NZD/GBP	0.4854	0.0001
NZD/CNH	4.5503	0.0000
AUD/USD	0.6835	0.0038
AUD/EUR	0.6086	-0.0023
EUR/USD	1.1227	0.0105
USD/CNH	7.1557	0.0000
GBP/USD	1.3090	-0.0011
EUR/GBP	0.8574	0.0086

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.67%	4.34%
2 year swap	5.32%	4.39%
10 year Govt	4.65%	4.06%

What a weekend for sport ...

... the union, the league, the tennis ... it definitely made the Mission Impossible movie pale in comparison! And this week sees New Zealand and Australia enter the global sporting spotlight with the start of the woman's football World Cup. Let's just hope the rain holds off this side of the Tasman for the next four weeks!

But back to markets, New Zealand food prices surged to yet another new high ... this time a 36-year high ... driven by surging fruit and vegetable costs, which increased 1.6% on the month and 12.5% on the year. To put it into context, food price inflation has risen to its highest level since 1987 when GST was introduced! Meanwhile, domestic manufacturing PMIs contracted for the fourth consecutive month, falling from

May's revised 48.7% to 47.5%, while total card spending increased 1.3% on the month, which I suspect is the classic case of spending more to get less.

But things are a lot more optimistic in the US after the University of Michigan consumer sentiment index increased to 72.6 in July to reach its highest level since September as the economic outlook improved beyond the forecast 65.5. Imported prices dipped, -0.2% on the month, against expectations for a -0.1% decrease, as food, feed, and beverage prices all fell -0.3%. Surely, they can't be purchasing NZ products? Finally, the US dollar recorded its first increase as a percentage of global central bank reserves, increasing to 59.0% in Q1 2023, after having dropped to 58.6% in Q4, which had been the dollar's lowest percentage share since 1994.

Chinese new home prices in 70 of their major cities were flat in the year to June after edging up 0.1% in May.

Ahead of the G20, the BoJ Governor Ueda Kazuo suggested the outlook for the global economy remained highly uncertain while afterwards, US Treasury Secretary Janet Yellen called on members to double-down on their support for Ukraine.

Australian PM Anthony Albanese and Treasurer Jim Chalmers have confirmed that the current RBA Deputy Governor, Michele Bullock, will become the new Governor in September. She replaces Philip Lowe and will be the first woman to lead the central bank.

Friday saw the start of the US corporate reporting season, with the US banks taking a leaf out of the Australasian bank's strategy, increasing NIM beyond expectations to 'lock-in' extra profits! This saw global equity markets 'tread-water' with little direction bias, although the USD-index remained under selling pressure, falling below the 100.00 level following Thursday's weak CPI print. This naturally raises the question of 'where-to-from here' after the USD experienced one of its worst weeks of the year. The suspicion is the USD is possibly stretched, from a technical point of view, while it's probably fair to say the US short-term interest rate adjustment has gone as far as it can after the 1-year swap reached 5.71%.

The week ahead

As previously mentioned, interest rate and FX volatility will likely remain elevated this week, although most of the focus will be on equities, with the Q2 US reporting season in full swing. We'll also have US retail sales, industrial production, and housing data while China will release Q2 GDP, retail sales, industrial production, and fixed asset investments. We also have inflation updates from Canada, Japan, and New Zealand, while Australia will publish their latest employment data.



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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	72.40					CAD	0.8401	0.9038
NZD/USD	0.6355	-0.0001	-0.0002	-0.0004	-0.0018	CHF	0.5476	0.5872
NZD/AUD	0.9312	-0.0011	-0.0030	-0.0059	-0.0099	CNY	4.5494	4.8848
NZD/JPY	88.40	-0.45	-1.28	-2.65	-5.15	DKK	4.2156	4.5307
NZD/EUR	0.5655	-0.0009	-0.0027	-0.0056	-0.0107	FJD	1.3717	1.4753
NZD/GBP	0.4854	-0.0001	-0.0002	0.0001	0.0015	HKD	4.9657	5.3368
						KRW	806.01	866.26
AU TWI	62.60					MYR	2.8744	3.0915
AUD/USD	0.6835	0.0007	0.0020	0.0038	0.0046	NOK	6.3720	6.8533
AUD/NZD	1.0735	0.0011	0.0033	0.0063	0.0091	SEK	6.5036	6.9948
AUD/JPY	94.86	-0.38	-1.08	-2.27	-4.59	SGD	0.8396	0.9030
AUD/EUR	0.6086	-0.0003	-0.0010	-0.0023	-0.0052	TWD	19.67	21.16
AUD/GBP	0.5221	0.0004	0.0015	0.0033	0.0071	ZAR	11.49	12.35
USD Index	99.96					EQUITIES		
EUR/USD	1.1227	0.0017	0.0050	0.0105	0.0171		Index	
USD/JPY	138.73	-0.70	-1.98	-4.08	-7.71	NZX50	12,013	
GBP/USD	1.3090	0.0002	0.0000	-0.0011	-0.0085	ASX200	7,303	
EUR/GBP	0.8574	0.0012	0.0037	0.0086	0.0190	Dow Jones	34,509	
						S&P 500	4,505	
INTEREST RATES			New Zealand		Australia	FTSE100	7,435	
			Mid		Mid	DAX 30	16,105	
30 day bank bills			5.63%		4.15%	Nikkei	32,391	
90 day bank bills			5.67%		4.34%	COMMODITIES		
1 year swap			5.80%		4.49%		USD	
2 year swap			5.32%		4.40%	Brent Crude	79.87	
3 year swap			4.98%		4.25%	Gold	1,954.93	
5 year swap			4.60%		4.30%	Silver	24.93	
10 year swap			4.45%		4.43%	Iron Ore	112.38	
3 year Govt bond			4.93%		3.96%	CRB Index	301.76	
5 year Govt bond			4.69%		3.91%		NZD	
10 year Govt bond			4.65%		4.06%	NZ Carbon	38.00	

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