

Market Alert

Wednesday 19 July 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6278	-0.0003
NZD/AUD	0.9312	-0.0059
NZD/JPY	87.24	-2.67
NZD/EUR	0.5591	-0.0057
NZD/GBP	0.4814	0.0000
NZD/CNH	4.5155	-0.0776
AUD/USD	0.6809	0.0039
AUD/EUR	0.6064	-0.0025
EUR/USD	1.1224	0.0106
USD/CNH	7.1935	-0.1190
GBP/USD	1.3038	-0.0010
EUR/GBP	0.8607	0.0085

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.68%	4.34%
2 year swap	5.36%	4.34%
10 year Govt	4.58%	4.04%

Ahead of the weeks big event ...

... today's NZ CPI release, and with few data releases overnight, financial markets continued their recent trend of cementing in incremental gains. This saw the Dow post its 7th consecutive day of gains, which was the 'trend du jour' for most equity markets, while commodity markets also closed in positive territory. Bond and FX markets were also quiet with yields virtually unchanged and the USD-index steady, although it should be noted the NZD came under broad selling pressure, and was the worst performer on the day, as a combination of the local macro outlook and technicals impacted the currency.

Overnight the GDT dairy auction continued its recent 'death-by-a-thousand-cuts' trend after it fell a further

-1.0% after WMP and SMP fell -1.5% and -0.6% respectively, while cheddar collapsed a whopping -10.1%.

The minutes from the RBA's July meeting, where they maintained the cash rate at 4.1%, highlighted what we already knew ... *"The board needed more time to assess the impact of past hikes, (and while) inflation in the country has passed its peak. It remained too high and would remain so for some time yet. Some further monetary tightening may be required to ensure inflation returns to the target range of between 2.0% to 3.0% in a reasonable timeframe, but it will depend upon how the economy and prices evolve."*

We also had the RBA Governor, Philip Lowe, speak at the G20 finance party meeting announcing, *"The reality that most of us face is that productivity growth has slowed down in most of our economies. It means lower sustainable growth in real wages, and it means a limited increase in output as well. Low productivity growth means economic and social problems. I agree the immediate consequence and the immediate challenge is to get inflation down. We really need to be successful there, but I think the bigger challenge is to lift productivity growth."* Australian Treasurer, Jim Chalmers, then added, *"it remains to be seen if more rate hikes are needed. Inflation is moderating but is still a major concern. China's economic slowdown a concern for Australia."*

A Federal Reserve study highlighted tightening credit condition in the US after the rejection rate for credit applications rose to a 5-year high at 21.8% in the year

to June. So, it shouldn't be a surprise to note that US retail sales increased by just 0.2 in June in what was its smallest increase in 3-months and below forecasts at 0.5%. Industrial production also fell -0.5%

ECB member, Klaas Knot, announced, *"it looks like core inflation has plateaued."*

The Chinese authorities have taken yet another step in their efforts to restimulate their economy, this time targeting consumer goods and services. The 11 measures were not a direct injection of support/capital, but at the edges it is an attempt to boost domestic demand. And in other news, the Chinese state planner approved 91 fixed-asset investment projects worth total of CNY700bn while a China Securities Journal article suggests the PBoC will cut their Reserve Requirement Ratio (RRR) in order to provide a further boost to the economy.

Moody's rating agency announced that a rise in interest rates would bring more benefits than risks for the Japanese banks as, *"higher interest rates would spur a rise in bond yields and mark-to-market losses on investment in debt securities for Japanese banks."*

Who said, "It's not what you know, it's who you know?"

I don't know but BlackRock has announced that the Saudi Aramco CEO will join the BlackRock board.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Wednesday 19 July 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.30					CAD	0.8273	0.8972
NZD/USD	0.6278	-0.0001	-0.0002	-0.0003	-0.0012	CHF	0.5385	0.5841
NZD/AUD	0.9312	-0.0011	-0.0031	-0.0059	-0.0101	CNY	4.5106	4.8921
NZD/JPY	87.24	-0.44	-1.28	-2.67	-5.12	DKK	4.1664	4.5188
NZD/EUR	0.5591	-0.0010	-0.0027	-0.0057	-0.0112	FJD	1.3601	1.4751
NZD/GBP	0.4814	-0.0001	-0.0002	0.0000	0.0005	HKD	4.9053	5.3201
						KRW	794.34	861.52
AU TWI	62.10					MYR	2.8502	3.0913
AUD/USD	0.6809	0.0007	0.0020	0.0039	0.0048	NOK	6.3108	6.8446
AUD/NZD	1.0845	0.0012	0.0033	0.0067	0.0094	SEK	6.4113	6.9536
AUD/JPY	94.64	-0.37	-1.08	-2.31	-4.59	SGD	0.8301	0.9004
AUD/EUR	0.6064	-0.0003	-0.0010	-0.0025	-0.0055	TWD	19.47	21.12
AUD/GBP	0.5221	0.0004	0.0015	0.0033	0.0065	ZAR	11.21	12.16
USD Index	99.98					EQUITIES		
EUR/USD	1.1224	0.0018	0.0049	0.0106	0.0180		Index	
USD/JPY	138.97	-0.69	-1.99	-4.16	-7.74	NZX50	11,933	
GBP/USD	1.3038	0.0002	0.0000	-0.0010	-0.0069	ASX200	7,284	
EUR/GBP	0.8607	0.0012	0.0038	0.0085	0.0184	Dow Jones	34,953	
						S&P 500	4,560	
INTEREST RATES			New Zealand		Australia	FTSE100	7,454	
			Mid		Mid	DAX 30	16,125	
30 day bank bills			5.64%		4.16%	Nikkei	32,494	
90 day bank bills			5.68%		4.34%	COMMODITIES		
1 year swap			5.78%		4.48%		USD	
2 year swap			5.36%		4.36%	Brent Crude	79.65	
3 year swap			5.00%		4.21%	Gold	1,977.37	
5 year swap			4.60%		4.27%	Silver	25.05	
10 year swap			4.45%		4.38%	Iron Ore	111.81	
3 year Govt bond			4.87%		3.93%	CRB Index	303.12	
5 year Govt bond			4.63%		3.89%		NZD	
10 year Govt bond			4.58%		4.04%	NZ Carbon	50.00	

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.

