

Market Alert

Monday 24 July 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6164	-0.0002
NZD/AUD	0.9166	-0.0051
NZD/JPY	87.45	-2.60
NZD/EUR	0.5542	-0.0054
NZD/GBP	0.4792	-0.0001
NZD/CNH	4.4295	0.0000
AUD/USD	0.6727	0.0035
AUD/EUR	0.6046	-0.0026
EUR/USD	1.1123	0.0104
USD/CNH	7.1865	0.0000
GBP/USD	1.2853	-0.0002
EUR/GBP	0.8656	0.0082

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.70%	4.41%
2 year swap	5.52%	4.44%
10 year Govt	4.73%	4.07%

We've a triple of central bank meetings this week!

We've a hawk, a dove, and a partridge in a pear tree!

Breaking it down, three of them will likely hike their respective benchmark rates by 25bps, although they will all have vastly different rhetoric and outlooks. The Federal Reserve will retain the right to a high further within the calendar year, but apart from that, there will likely be a dovish element to their statement and Chair Powell's press conference. The ECB will likely be somewhere in between – something along the lines of we'll keep hiking although we are nearing a peak. Of further concern for the ECB will be the strength of the EUR with its so-called

'nominal effective exchange rate' which compares the EUR to those of the Euro-zone's major trading partners, against which the EUR has never been stronger.

But while those two countries will likely hike rates, the BoJ will likely maintain its status quo given last weeks 'leaks'. At this stage it appears it won't give any indication as to when it will amend its yield curve control (YCC), and last Fridays June inflation release, where the headline number edged up to 3.3% from May's 3.2%, brought the Japanese central bank further time given that the expectation was for a 3.5% print. In saying that, the BoJ will probably still discuss the costs and benefits of the YCC as a portion of the board is in favour of acting early.

The fact the BoJ will likely maintain its existing path saw the JPY weaken on Friday, with USD/JPY rallying from a low of 139.75 to close the week at 141.75, while the USD also had another positive session gaining over 1.0%. This saw the NZD and AUD weaken, while NZD/AUD continued its grind lower. Against the FX volatility, bond markets were very quiet, as were equity markets although we may see some fireworks with some USD2.4 trillion of options contracts tied to stocks and indexes scheduled to mature today.

In other headlines from Friday, Russia raised rates for the first time since the invasion of Ukraine, lifting its benchmark rate from 7.50% to 8.50% with the prospect for further hikes, while UK retail sales rose 0.7% with food inflation exceeded a whopping 17.0%. Finally, Spain's right-wing parties could win a parliamentary majority, exit polls showed after the weekend's election, which I guess means their left-wing politicians must be like those in New Zealand after ...

... yet another labour minister 'fell on their sword' ...

... which begs the question, does Labour have enough MPs to form a cabinet?

Beyond the central bank hikes, and the pause ...

... this week also sees the release of US Q2 GDP and PCE inflation. We also have inflation updates from Germany, France, and Australia, PMIs from Japan, Australia, the UK, and the Euro-zone. Finally, we also have Australian retail sales and, from New Zealand, employment numbers, the trade balance, and consumer confidence.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Monday 24 July 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.40					CAD	0.8150	0.8899
NZD/USD	0.6164	0.0000	-0.0001	-0.0002	-0.0017	CHF	0.5336	0.5814
NZD/AUD	0.9166	-0.0009	-0.0026	-0.0051	-0.0093	CNY	4.4323	4.8348
NZD/JPY	87.45	-0.42	-1.27	-2.60	-5.20	DKK	4.1272	4.5042
NZD/EUR	0.5542	-0.0009	-0.0026	-0.0054	-0.0113	FJD	1.3488	1.4720
NZD/GBP	0.4792	-0.0001	-0.0002	-0.0001	-0.0002	HKD	4.8185	5.2586
						KRW	792.81	865.22
AU TWI	62.10					MYR	2.8089	3.0655
AUD/USD	0.6727	0.0006	0.0018	0.0035	0.0048	NOK	6.1567	6.7191
AUD/NZD	1.0901	0.0009	0.0030	0.0058	0.0099	SEK	6.4022	6.9870
AUD/JPY	95.45	-0.37	-1.11	-2.33	-4.70	SGD	0.8199	0.8948
AUD/EUR	0.6046	-0.0004	-0.0011	-0.0026	-0.0060	TWD	19.31	21.07
AUD/GBP	0.5230	0.0004	0.0013	0.0027	0.0054	ZAR	11.05	12.06
USD Index	101.09					EQUITIES		
EUR/USD	1.1123	0.0017	0.0049	0.0104	0.0188		Index	
USD/JPY	141.79	-0.68	-2.03	-4.17	-7.94	NZX50	11,940	
GBP/USD	1.2853	0.0002	0.0002	-0.0002	-0.0037	ASX200	7,314	
EUR/GBP	0.8656	0.0011	0.0037	0.0082	0.0174	Dow Jones	35,228	
						S&P 500	4,536	
INTEREST RATES			New Zealand		Australia	FTSE100	7,664	
			Mid		Mid	DAX 30	16,177	
30 day bank bills			5.65%		4.19%	Nikkei	32,304	
90 day bank bills			5.70%		4.41%	COMMODITIES		
1 year swap			5.85%		4.56%		USD	
2 year swap			5.52%		4.45%	Brent Crude	81.07	
3 year swap			5.16%		4.29%	Gold	1,960.23	
5 year swap			4.77%		4.35%	Silver	24.57	
10 year swap			4.59%		4.45%	Iron Ore	112.47	
3 year Govt bond			5.07%		4.00%	CRB Index	308.41	
5 year Govt bond			4.81%		3.94%		NZD	
10 year Govt bond			4.73%		4.07%	NZ Carbon	47.25	

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.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED