

Market Alert

Thursday 31 August 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5968	0.0001
NZD/AUD	0.9213	-0.0060
NZD/JPY	87.31	-2.57
NZD/EUR	0.5466	-0.0051
NZD/GBP	0.4693	0.0000
NZD/CNH	4.3589	-0.0551
AUD/USD	0.6478	0.0043
AUD/EUR	0.5931	-0.0017
EUR/USD	1.0918	0.0102
USD/CNH	7.3018	-0.0938
GBP/USD	1.2714	-0.0002
EUR/GBP	0.8586	0.0078

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.68%	4.18%
2 year swap	5.46%	4.13%
10 year Govt	5.02%	4.15%

Slowing domestic activity

Australia's inflation rate eased to 4.9% in the year to July, down from 5.4% in June, and below expectations of 5.2%. In July, CPI is back to a 7-month low, due to falls in holiday travel and fuel prices. Markets moved to price in a near 100% probability the RBA will pause its rate hikes for a third straight month next week, given that rate hikes to date were delivering as assumed. In addition, the chance of one last hike by the end of the year has fallen to 45%, from around 60%, signalling that the RBA may largely be done with tightening for this cycle.

Australian July building permits contracted by -8.1% in the month, against expectations of a -0.8% decline, and was lower than June's -7.9% fall. Year on year

building permits fell -6.4%. While June quarter construction work completed was 0.4%, lower than expectations of 1.0%, and lower than the prior quarter at 3.8%. The paring back on another rate hike expectations saw the AUD/USD fall 45pips from the open, but the pair has climbed back as a weaker USD dominated and it is back up around 0.6480.

In New Zealand, new building consents data for July fell -5.2% for the month, against expectations of a 0.2% gain, and the prior months 3.5% gain. Year on year building consents have fallen by -14%. The number of new homes consented peaked in early 2022, and have fallen 25% since then, as the high cost of construction, increasing borrowing rates and stronger bank lending criteria weigh on the housing sector.

The NZD/USD during the day followed the fortunes of the AUD and traded as low as 0.5938, but a weaker US dollar index down at 103.15 saw the NZD/USD briefly trade above 0.6000. The US dollar continues to be dominated by Fed rate hike expectations, support for further hikes appears to be diminishing somewhat due to weaker data. The NZD is also higher against all the major pairs, and the US 10-year Treasury yield is now down at 4.12% from highs of 4.36% last week.

An easing of US Treasury yields will feed through to NZ and AU swap rates today, as further Fed hike expectations are pared back for now.

US growth slowing

US Q2 GDP was revised to 2.1%, up from the previous quarter's 2.0%. Economists had expected that the figure would remain at the unrevised value of 2.4%. A final estimate is expected to be released a month from now. US core personal consumption expenditure ("PCE") index for Q2 came in at 3.7%, down from the previously reported 3.8%.

Private payrolls rose by 177k in August, the smallest gain in five months. Hiring in leisure/hospitality had the lowest growth since March 2022, coming in at 30k new jobs. Education/health services and trade/transportation had the largest gains for the month, coming in at 52k and 45k respectively.

US pending home sales were up 0.9% on the month, up from 0.4% and beating expectations of -0.6%. This comes despite increasing house prices and rising mortgage rates.

National Party offers tax cuts!

The National Party yesterday announced its much anticipated tax policy with a \$14.6 billion of tax cuts and credits to be offered to the 'squeezed middle'. Some would consider this to be inflationary in the current environment, but the impact of the cuts will take effect from 2024 and be over a number of years.



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Daily Rates

Thursday 31 August 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.90					CAD	0.8077	0.8768
NZD/USD	0.5968	0.0000	0.0001	0.0001	-0.0008	CHF	0.5244	0.5693
NZD/AUD	0.9213	-0.0011	-0.0030	-0.0060	-0.0118	CNY	4.3477	4.7185
NZD/JPY	87.31	-0.43	-1.25	-2.57	-5.11	DKK	4.0726	4.4208
NZD/EUR	0.5466	-0.0008	-0.0023	-0.0051	-0.0107	FJD	1.3265	1.4399
NZD/GBP	0.4693	-0.0001	0.0000	0.0000	0.0001	HKD	4.6833	5.0835
						KRW	788.46	855.84
AU TWI	60.60					MYR	2.7674	3.0038
AUD/USD	0.6478	0.0008	0.0021	0.0043	0.0069	NOK	6.3235	6.8640
AUD/NZD	1.0849	0.0011	0.0033	0.0067	0.0117	SEK	6.4697	7.0226
AUD/JPY	94.75	-0.37	-1.06	-2.19	-4.40	SGD	0.8051	0.8739
AUD/EUR	0.5931	-0.0002	-0.0006	-0.0017	-0.0040	TWD	18.99	20.61
AUD/GBP	0.5094	0.0005	0.0016	0.0033	0.0067	ZAR	11.16	12.11
USD Index	103.18					EQUITIES		
EUR/USD	1.0918	0.0016	0.0047	0.0102	0.0192		Index	
USD/JPY	146.26	-0.73	-2.12	-4.34	-8.37	NZX50	11,521	
GBP/USD	1.2714	0.0001	0.0000	-0.0002	-0.0030	ASX200	7,298	
EUR/GBP	0.8586	0.0011	0.0035	0.0078	0.0168	Dow Jones	34,891	
						S&P 500	4,516	
INTEREST RATES			New Zealand		Australia	FTSE100	7,474	
			Mid		Mid	DAX 30	15,892	
30 day bank bills			5.64%		4.11%	Nikkei	32,333	
90 day bank bills			5.68%		4.18%	COMMODITIES		
1 year swap			5.72%		4.24%		USD	
2 year swap			5.46%		4.14%	Brent Crude	85.85	
3 year swap			5.17%		4.01%	Gold	1,943.23	
5 year swap			4.85%		4.15%	Silver	24.60	
10 year swap			4.73%		4.41%	Iron Ore	108.65	
3 year Govt bond			5.22%		3.84%	CRB Index	315.48	
5 year Govt bond			5.03%		3.87%		NZD	
10 year Govt bond			5.02%		4.15%	NZ Carbon	68.50	

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