

# Market Alert

Wednesday 13 September 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5903	0.0001
NZD/AUD	0.9192	-0.0059
NZD/JPY	86.85	-2.54
NZD/EUR	0.5501	-0.0050
NZD/GBP	0.4726	-0.0001
NZD/CNH	4.3112	-0.0448
AUD/USD	0.6421	0.0041
AUD/EUR	0.5983	-0.0016
EUR/USD	1.0728	0.0096
USD/CNH	7.3035	-0.0768
GBP/USD	1.2486	0.0003
EUR/GBP	0.8590	0.0075

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.71%	4.17%
2 year swap	5.47%	4.14%
10 year Govt	5.08%	4.24%

## For all of the forecasts, will either political party target surpluses?

The NZ Treasury provided its pre-election economic and fiscal update yesterday where, yep, you guessed it, we're going to have to borrow more. Who would have thunk it! The Treasury is indicating they will require an additional NZD9bn over the next 4 years, however, the expected borrowings are not as severe as initially forecasted, which is somewhat positive news. The local economy is projected to avoid a 'double dip' recession, with positive economic growth expected for the next three quarters, but that was where the good news ended with forecasts projecting the jobless rate will rise to 5.4% in 2025, the OCR will peak at 5.7% and remain there until 2025, the 2023-2024 budget deficit will be at

NZD11.4bn, and the return to a surplus will be delayed by a year to 2027.

Net migration continues to drive New Zealand's recovery, with a significant number of arrivals with a further 5,786 arrivals in July while the June number was revised up to 8,549 persons, which is excellent news for those of you looking to book an Uber home from the office Christmas party! Electronic card retail spending, which covers 68.0% of core retail sales, has shown growth both monthly and yearly surging 0.7% on the month and 3.7% on the year following July's 0.0% and 2.2% gains!

Consumer confidence in Australia slightly decreased, easing back to 77.6 from 78.7 to set a new record low after remaining below 80 for 6-months, although, on a positive note, August business confidence rallied from 1 to 2 while 'own' conditions improved from 11 to 13.

The PBoC expressed confidence in maintaining stability in the yuan but warned against one-sided moves and speculative trading in the FX markets stating, "Participants of the FX markets should voluntarily maintain a stable market. Traders should resolutely avoid behaviours that disturb market orders such as conducting speculative trades." You have been warned!

The overnight releases saw German economic sentiment increased slightly, to -11.4 from -12.3, which was better than expected, however, the assessment of the economic situation dropped

significantly falling 8.1 points to -79.4 to reach its lowest level in 3-years. Small business optimism in the US fell slightly in August to 91.3 from 91.9, while UK 'regular' pay increased by 7.8% in the 3-months to July!

Overall, it was a quiet session as markets await tomorrow's US CPI data releases, with the headline print being the fact that oil prices have hit a 10-month high in what was a mixed session for commodity markets. Equity markets were also mixed, while FX markets flatlined. Bond markets were also steady with the 10-year lower at 4.27%.

## Is the top in sight for USD/JPY and yields?

May be according to Deutsche and Morgan Stanley! Following on from the BoJ Governor's comments, Deutsche is forecasting the BoJ will end its yield curve control in October and its negative interest rate policy in January 2024, while Morgan Stanley is bullish US bonds announcing, "we stand alone telling investors to buy government bonds. We continue to suggest investors adopt an overweight stance on government bond duration."

Goldman Sachs believes that while the market will have to adapt to higher interest rates, it doesn't necessarily mean that the Nasdaq will underperform given, "Yields on 10-year Treasuries ranged between 4.5% and 7% back in the late-1990's in the years when the Nasdaq posted significant outsized gains."



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# Daily Rates

Wednesday 13 September 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.70					CAD	0.8003	0.8707
NZD/USD	0.5903	0.0000	0.0000	0.0001	-0.0012	CHF	0.5263	0.5724
NZD/AUD	0.9192	-0.0011	-0.0029	-0.0059	-0.0113	CNY	4.3050	4.6813
NZD/JPY	86.85	-0.44	-1.25	-2.54	-5.02	DKK	4.1041	4.4642
NZD/EUR	0.5501	-0.0008	-0.0023	-0.0050	-0.0103	FJD	1.3200	1.4358
NZD/GBP	0.4726	-0.0001	-0.0001	-0.0001	-0.0005	HKD	4.6208	5.0262
						KRW	783.07	851.78
AU TWI	60.30					MYR	2.7597	3.0018
AUD/USD	0.6421	0.0007	0.0020	0.0041	0.0060	NOK	6.3051	6.8581
AUD/NZD	1.0875	0.0012	0.0033	0.0066	0.0101	SEK	6.5553	7.1305
AUD/JPY	94.47	-0.38	-1.07	-2.17	-4.35	SGD	0.8034	0.8739
AUD/EUR	0.5983	-0.0002	-0.0006	-0.0016	-0.0046	TWD	18.89	20.55
AUD/GBP	0.5141	0.0005	0.0015	0.0031	0.0059	ZAR	11.17	12.15
USD Index	104.73					<b>EQUITIES</b>		
EUR/USD	1.0728	0.0015	0.0044	0.0096	0.0173		<b>Index</b>	
USD/JPY	147.12	-0.75	-2.12	-4.31	-8.20	NZX50	11,299	
GBP/USD	1.2486	0.0000	0.0000	0.0003	-0.0024	ASX200	7,207	
EUR/GBP	0.8590	0.0011	0.0034	0.0075	0.0152	Dow Jones	34,633	
						S&P 500	4,459	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,528	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,716	
30 day bank bills			5.64%		4.11%	Nikkei	32,776	
90 day bank bills			5.71%		4.17%	<b>COMMODITIES</b>		
1 year swap			5.72%		4.25%		<b>USD</b>	
2 year swap			5.47%		4.16%	Brent Crude	92.20	
3 year swap			5.20%		4.08%	Gold	1,913.09	
5 year swap			4.91%		4.23%	Silver	23.07	
10 year swap			4.80%		4.49%	Iron Ore	118.23	
3 year Govt bond			5.26%		3.88%	CRB Index	323.08	
5 year Govt bond			5.08%		3.93%		<b>NZD</b>	
10 year Govt bond			5.08%		4.24%	NZ Carbon	73.00	

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