

Market Alert

Friday 29 September 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5958	-0.0002
NZD/AUD	0.9284	-0.0060
NZD/JPY	89.01	-2.69
NZD/EUR	0.5645	-0.0052
NZD/GBP	0.4886	-0.0007
NZD/CNH	4.3490	-0.0441
AUD/USD	0.6418	0.0039
AUD/EUR	0.6078	-0.0017
EUR/USD	1.0555	0.0092
USD/CNH	7.2956	-0.0728
GBP/USD	1.2190	0.0012
EUR/GBP	0.8657	0.0064

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.76%	4.20%
2 year swap	5.66%	4.37%
10 year Govt	5.34%	4.53%

The global economy is a bit like a car with no brakes and a steering wheel that's fallen off ...

... we're all just hanging on for dear life, hoping we don't crash into a wall. And at this moment in time, financial markets feel a bit like a casino on steroids ... it's just that everyone's betting their money on which asset will lose the least value!

Yield du jour ...

... and today's favourite is the 10-year JGB which has just traded at a 10-year high at 0.76% in what was a broader trend as long-end yields across Asia and Europe continued their relentless grind higher after Italy announced plans for higher borrowings, which saw the German bund 10bp higher at 2.93%. US yields saw some profit taking ahead of

the end of Q3 after the 10-year yield fell from an intra-session high at 4.65% to be at 4.61%, although there may potentially be further bad news on the horizon after Goldman Sachs forecast the probability of a US government shutdown next week is at 90%! The USD-index also eased back -0.5% on the lower US yields, which saw the NZD, AUD and EUR all bounce back with the NZD/USD reclaiming the 0.5950 level, AUD/USD firming back above the 0.6400 level, and EUR/USD trading above the 1.0550 level. Heck, even the JPY rallied against the USD ... but not against the NZD!

One positive was that equity markets closed in positive territory, although I suspect this was probably profit taking as well, ahead of next week's employment releases. Oil prices eased -2.0%, mainly attributed to concerns about a recession and a weaker demand outlook.

In terms of the actual data releases, there was the usual strong employment data from the US with initial claims remaining near their 9-month low increasing by just 2k to 204K, way below forecasts at 215k, while the final Q2 GDP print was confirmed at 2.1%, unchanged from its previous reading. Pending home sales plunged 7.1% in the year to August. The pessimistic outlook remains in Europe after Euro-zone economic sentiment dipped to 93.3 in September from October's revised 93.6. Encouragingly, Germany inflation fell from 6.1% to 4.5% in September, which was slightly better than market forecasts at 4.6%. The core also fell to 4.6%, its lowest level since

September 2022. In other German news, 5 economic institutes have advised the government they expect the economy to contract -0.6% in 2023, which is significantly lower than their prior forecast of +0.36%. Finally, the BoE is working on a bailout tool for pension funds and insurers to improve market resilience and oversight and prevent a repeat of last year's UK market chaos.

It would appear the RBA's hiking cycle is starting to gain traction after retail sales undershot expectations, rallying 0.2% in August against expectations at 0.3% and July's 0.5%.

NZ business confidence improved in September rallying to 1.5 from -3.7 although the own activity outlook fell to 10.9 from 11.2.

Trouble brewing in SE Asia?

Trading in shares of troubled Chinese property developer Evergrande were suspended yesterday in Hong Kong.

South Korean automakers Hyundai and Kia are recalling 3.3 million vehicles in the US.

Finally, RIP Michael Gambon. Best known for playing Professor Dumbledore in six Harry Potter movies, he will always be a personal favourite after playing an upmarket gangster in Layer Cake ... well worth the watch if you have the time!



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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	70.60					CAD	0.8051	0.8673
NZD/USD	0.5958	0.0000	0.0000	-0.0002	-0.0012	CHF	0.5456	0.5878
NZD/AUD	0.9284	-0.0010	-0.0031	-0.0060	-0.0112	CNY	4.3516	4.6869
NZD/JPY	89.01	-0.45	-1.40	-2.69	-5.26	DKK	4.2084	4.5332
NZD/EUR	0.5645	-0.0007	-0.0027	-0.0052	-0.0108	FJD	1.3314	1.4342
NZD/GBP	0.4886	-0.0001	-0.0004	-0.0007	-0.0018	HKD	4.6642	5.0243
						KRW	804.35	866.45
AU TWI	60.40					MYR	2.8038	3.0203
AUD/USD	0.6418	0.0007	0.0021	0.0039	0.0062	NOK	6.3940	6.8877
AUD/NZD	1.0767	0.0011	0.0035	0.0066	0.0119	SEK	6.5132	7.0160
AUD/JPY	95.86	-0.41	-1.18	-2.29	-4.59	SGD	0.8143	0.8771
AUD/EUR	0.6078	-0.0002	-0.0008	-0.0017	-0.0047	TWD	19.15	20.62
AUD/GBP	0.5263	0.0005	0.0013	0.0026	0.0045	ZAR	11.32	12.20
USD Index	106.18					EQUITIES		
EUR/USD	1.0555	0.0013	0.0048	0.0092	0.0178		Index	
USD/JPY	149.27	-0.75	-2.34	-4.48	-8.56	NZX50	11,178	
GBP/USD	1.2190	0.0002	0.0008	0.0012	0.0010	ASX200	7,025	
EUR/GBP	0.8657	0.0009	0.0032	0.0064	0.0133	Dow Jones	33,591	
						S&P 500	4,305	
INTEREST RATES			New Zealand		Australia	FTSE100	7,602	
			Mid		Mid	DAX 30	15,324	
30 day bank bills			5.66%		4.11%	Nikkei	31,873	
90 day bank bills			5.76%		4.20%	COMMODITIES		
1 year swap			5.91%		4.37%		USD	
2 year swap			5.66%		4.39%	Brent Crude	95.15	
3 year swap			5.41%		4.31%	Gold	1,864.39	
5 year swap			5.15%		4.49%	Silver	22.56	
10 year swap			5.08%		4.78%	Iron Ore	120.84	
3 year Govt bond			5.48%		4.14%	CRB Index	323.91	
5 year Govt bond			5.32%		4.21%		NZD	
10 year Govt bond			5.34%		4.53%	NZ Carbon	65.75	

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