

Market Alert

Monday 4 September 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5937	0.0001
NZD/AUD	0.9210	-0.0058
NZD/JPY	86.88	-2.53
NZD/EUR	0.5504	-0.0052
NZD/GBP	0.4715	0.0000
NZD/CNH	4.3305	0.0000
AUD/USD	0.6450	0.0041
AUD/EUR	0.5985	-0.0020
EUR/USD	1.0773	0.0103
USD/CNH	7.2661	0.0000
GBP/USD	1.2588	0.0002
EUR/GBP	0.8561	0.0077

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.69%	4.18%
2 year swap	5.42%	4.09%
10 year Govt	4.92%	4.07%

Cooling US labour market

The much anticipated US non-farm payrolls data showed that 187,000 jobs were added in August, slightly higher than expectations but the good news was offset by significant downward revisions to previous months data and a rise in the unemployment rate, from 3.5% to 3.8%. This is the highest US unemployment rate since February 2022.

Job growth remains well above the roughly 100,000 jobs per month needed to keep up with the increase in the working-age population, with the August gains led by an expanding healthcare sector. Wage growth moderated as average hourly earnings climbed 0.2%, the smallest rise since February 2022, after gaining 0.4% in July. In the 12

months through to August, wages rose 4.3% - faster than the pace of headline inflation.

The data initially saw the USD weaken, pushing the NZD/USD briefly above 0.6000 before a full reversal back down to 0.5945. There was an identical move from the AUD/USD, which pushed briefly to 0.6520 before reversing back to 0.6450. The US 10-year treasury yield eased to 4.05% before lifting to 4.20%, an impressive 15bps daily range reversing much of the downward trend seen over last week. This will likely put upward pressure on domestic swap rates today. The US market is closed for their Labor Day today.

Canadian economy stalls

The Canadian economy surprisingly contracted in the June quarter, under-shooting expectations considerably. Annualised GDP contracted -0.2%, with weakness relatively broad-based, although the housing sector was a notable weak spot. The data reinforces expectations that the BOC's hiking cycle has come to an end, after delivering 4.75% of hikes over the past eighteen months.

Despite strong population growth, the impact of higher interest rates is starting to weigh on the construction sector, with housing investment posting its fifth successive quarterly decrease. The BOC had expected a 1.5% annualised GDP growth, while analysts had forecast a 1.2% gain.

ANZ Consumer Confidence for NZ was released on Friday at 85.0, a 1.5% increase from last month's 83.7, showing increased, but still very low, confidence. Inflation expectations were unchanged at 4.6%. NZ terms of trade are expected to come out today slightly better than Q1, but still negative.

The RBA is expected to keep interest rates unchanged for the third consecutive month tomorrow at Governor Philip Lowe's final meeting.

China data watch

The release of China's inflation and trade data this week will be closely watched for any signal that economic momentum has stabilised after the horrendous July data pulse. Expectations are for the data to show that exports and imports contracted again in August, albeit at a milder pace than in July. China's Cixin manufacturing PMI showed small growth, coming in at 51.0 last week, up from the prior month's 49.2.

Chinese policymakers have taken further steps in the past week to shore up the ailing housing market, while stepping up its defence of the currency and expanding some tax breaks to households. It may take some time for the policy measures to show up in the economic data. This week's Global Dairy Trade auction is unlikely to give much hope to farmers, with another (modest) decline anticipated. Whole milk powder prices tumbled by 18% over August and are down by a quarter over the year.



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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	70.00					CAD	0.8071	0.8766
NZD/USD	0.5937	0.0000	0.0001	0.0001	-0.0005	CHF	0.5255	0.5699
NZD/AUD	0.9210	-0.0010	-0.0029	-0.0058	-0.0116	CNY	4.3142	4.6847
NZD/JPY	86.88	-0.41	-1.24	-2.53	-5.01	DKK	4.1059	4.4607
NZD/EUR	0.5504	-0.0008	-0.0024	-0.0052	-0.0109	FJD	1.3232	1.4375
NZD/GBP	0.4715	0.0000	0.0000	0.0000	-0.0001	HKD	4.6575	5.0600
						KRW	782.23	849.82
AU TWI	60.40					MYR	2.7577	2.9960
AUD/USD	0.6450	0.0007	0.0021	0.0041	0.0070	NOK	6.2987	6.8430
AUD/NZD	1.0849	0.0011	0.0033	0.0065	0.0122	SEK	6.5520	7.1181
AUD/JPY	94.31	-0.35	-1.06	-2.18	-4.33	SGD	0.8038	0.8733
AUD/EUR	0.5985	-0.0002	-0.0008	-0.0020	-0.0046	TWD	18.92	20.55
AUD/GBP	0.5122	0.0005	0.0016	0.0031	0.0063	ZAR	11.18	12.15
USD Index	104.26					EQUITIES		
EUR/USD	1.0773	0.0015	0.0047	0.0103	0.0197		Index	
USD/JPY	146.23	-0.70	-2.11	-4.28	-8.30	NZX50	11,529	
GBP/USD	1.2588	0.0002	0.0001	0.0002	-0.0021	ASX200	7,278	
EUR/GBP	0.8561	0.0011	0.0036	0.0077	0.0167	Dow Jones	34,838	
						S&P 500	4,516	
INTEREST RATES			New Zealand		Australia	FTSE100	7,465	
			Mid		Mid	DAX 30	15,840	
30 day bank bills			5.63%		4.11%	Nikkei	32,711	
90 day bank bills			5.69%		4.18%	COMMODITIES		
1 year swap			5.71%		4.22%		USD	
2 year swap			5.42%		4.10%	Brent Crude	88.55	
3 year swap			5.12%		3.99%	Gold	1,938.80	
5 year swap			4.80%		4.13%	Silver	24.16	
10 year swap			4.65%		4.41%	Iron Ore	118.19	
3 year Govt bond			5.15%		3.78%	CRB Index	319.18	
5 year Govt bond			4.95%		3.80%		NZD	
10 year Govt bond			4.92%		4.07%	NZ Carbon	71.00	

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