

Market Alert

Tuesday 5 September 2023

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.5938 | 0.0001 |
| NZD/AUD | 0.9210 | -0.0058 |
| NZD/JPY | 86.98 | -2.54 |
| NZD/EUR | 0.5501 | -0.0053 |
| NZD/GBP | 0.4702 | -0.0001 |
| NZD/CNH | 4.3217 | -0.0578 |
| AUD/USD | 0.6459 | 0.0041 |
| AUD/EUR | 0.5983 | -0.0019 |
| EUR/USD | 1.0792 | 0.0103 |
| USD/CNH | 7.2783 | -0.0983 |
| GBP/USD | 1.2628 | -0.0003 |
| EUR/GBP | 0.8545 | 0.0079 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 5.50% | 4.10% |
| 90 day bills | 5.68% | 4.18% |
| 2 year swap | 5.46% | 4.14% |
| 10 year Govt | 5.00% | 4.16% |

Real Estate in China shows signs of life

After a month of bleak data releases out of China, Asian shares rose higher on Monday, amid hopes that the drip feeding of policy stimulus from Beijing would be enough to stabilise their economy. Data releases have showed, that despite there being a mild increase in consumer spending in the month of August, the property sector has continued to worsen. However, Country Garden, one of China's largest property developers, managed to broker a deal with creditors for an extension of its onshore debt payments. This has bought the developer, along with the nation's property sector, some much needed respite. Shares of real estate companies like Evergrande, Logan Group

and Longfor Group, spiked over 9.0% on Monday, with the aforementioned Country Garden Holdings leading gains at 14.6%. These gains powered the Hang-Seng (A Hong Kong large-cap index) to be the top gainer in Asia.

Even if China's stimulus measures are successful, questions still remain about the robustness of the world's second largest economy. Most reforms attempted by President Xi Jinping have been unimpactful and left the economy still reliant on out-of-date policies, that have only added to an industrial capacity already running too hot for a number of years, and an ever-increasing debt pile. Many analysts suspect a slow drift towards Japanese style stagflation. While others are more wary of the prospect of a severe crisis.

NZ trade improving

New Zealand trade data for Q2 was released yesterday, revealing total exports and total imports both up, sitting at 25.3bn and 26.6bn respectively. The -1.3bn trade deficit was far better than the previous quarter's -3.3bn. Total export volumes rose by 6.8% on the quarter, the largest quarterly increase in 10 years. Import volumes fell by -2.8%. The quarter saw dairy export prices fall by -2.1%, with volumes rising by 19.0% and values rising by 7.1%. Meat export prices, volumes, and values rose by 7.4%, 7.6%, and 13.0%, respectively.

Terms of trade rose by 0.4% for the quarter. Export prices dropped by -0.6%, performing far better than the previous quarters -6.9%, while import prices fell by -1.0%, from last month's -5.5%.

Australian gross operating profits fell 13.1% in Q2, down an annual 11.8%. The Melbourne Institute's Monthly Inflation Gauge was up 0.2% for August, and up 6.1% for the August year, for the twelfth consecutive increase. Today, the RBA will hold its monetary policy meeting, with most analysts expecting no change from the current rate of 4.10%. This will be Governor Philip Lowe's final meeting.

Last night was eventful for the NZD/USD, which closed at 0.5945, dipping slightly before fluctuating between a high of 0.5961 and a low of 0.5932, and now resting at 0.5939. The AUD/USD closed last night at 0.6456, similarly dipping slightly, before reaching a high of 0.6480, then coming to today's level of 0.6460.

WTI crude oil has gained for the eighth consecutive day, climbing USD0.38 to reach USD85.93, the highest close since November.



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Daily Rates

Tuesday 5 September 2023

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|--------------|--------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 69.90 | | | | | CAD | 0.8072 | 0.8781 |
| NZD/USD | 0.5938 | 0.0000 | 0.0001 | 0.0001 | -0.0009 | CHF | 0.5251 | 0.5713 |
| NZD/AUD | 0.9210 | -0.0010 | -0.0029 | -0.0058 | -0.0110 | CNY | 4.3185 | 4.6974 |
| NZD/JPY | 86.98 | -0.42 | -1.25 | -2.54 | -4.98 | DKK | 4.1000 | 4.4597 |
| NZD/EUR | 0.5501 | -0.0008 | -0.0024 | -0.0053 | -0.0107 | FJD | 1.3234 | 1.4395 |
| NZD/GBP | 0.4702 | -0.0001 | 0.0000 | -0.0001 | 0.0001 | HKD | 4.6517 | 5.0598 |
| | | | | | | KRW | 782.27 | 850.91 |
| AU TWI | 60.50 | | | | | MYR | 2.7624 | 3.0047 |
| AUD/USD | 0.6459 | 0.0007 | 0.0021 | 0.0041 | 0.0068 | NOK | 6.3191 | 6.8735 |
| AUD/NZD | 1.0876 | 0.0011 | 0.0033 | 0.0066 | 0.0120 | SEK | 6.5374 | 7.1110 |
| AUD/JPY | 94.62 | -0.35 | -1.07 | -2.20 | -4.36 | SGD | 0.8044 | 0.8750 |
| AUD/EUR | 0.5983 | -0.0002 | -0.0008 | -0.0019 | -0.0045 | TWD | 18.95 | 20.61 |
| AUD/GBP | 0.5114 | 0.0005 | 0.0016 | 0.0031 | 0.0062 | ZAR | 11.35 | 12.35 |
| USD Index | 104.13 | | | | | EQUITIES | | |
| EUR/USD | 1.0792 | 0.0015 | 0.0046 | 0.0103 | 0.0195 | | Index | |
| USD/JPY | 146.48 | -0.71 | -2.13 | -4.32 | -8.25 | NZX50 | 11,513 | |
| GBP/USD | 1.2628 | 0.0001 | 0.0001 | -0.0003 | -0.0022 | ASX200 | 7,319 | |
| EUR/GBP | 0.8545 | 0.0011 | 0.0035 | 0.0079 | 0.0166 | Dow Jones | 34,838 | |
| | | | | | | S&P 500 | 4,516 | |
| INTEREST RATES | | | New Zealand | | Australia | FTSE100 | 7,453 | |
| | | | Mid | | Mid | DAX 30 | 15,825 | |
| 30 day bank bills | | | 5.64% | | 4.11% | Nikkei | 32,939 | |
| 90 day bank bills | | | 5.68% | | 4.18% | COMMODITIES | | |
| 1 year swap | | | 5.71% | | 4.24% | | USD | |
| 2 year swap | | | 5.46% | | 4.15% | Brent Crude | 89.00 | |
| 3 year swap | | | 5.18% | | 4.04% | Gold | 1,938.19 | |
| 5 year swap | | | 4.87% | | 4.19% | Silver | 23.97 | |
| 10 year swap | | | 4.75% | | 4.47% | Iron Ore | 118.19 | |
| 3 year Govt bond | | | 5.20% | | 3.84% | CRB Index | 319.18 | |
| 5 year Govt bond | | | 5.01% | | 3.88% | | NZD | |
| 10 year Govt bond | | | 5.00% | | 4.16% | NZ Carbon | 70.85 | |

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