

Market Alert

Wednesday 6 September 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5882	0.0001
NZD/AUD	0.9210	-0.0059
NZD/JPY	86.88	-2.56
NZD/EUR	0.5485	-0.0053
NZD/GBP	0.4682	0.0000
NZD/CNH	4.2956	-0.0534
AUD/USD	0.6381	0.0041
AUD/EUR	0.5949	-0.0020
EUR/USD	1.0723	0.0102
USD/CNH	7.3029	-0.0917
GBP/USD	1.2562	0.0001
EUR/GBP	0.8536	0.0080

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.70%	4.18%
2 year swap	5.47%	4.14%
10 year Govt	5.07%	4.21%

RBA holds as expected

As expected, the RBA held its cash rate at 4.1% for the third consecutive meeting yesterday, which was also Governor, Philip Lowe's final meeting, with his term ending on the 17th of September. The governor stated in the post-meeting assessment that *"some further tightening of monetary policy may be required to ensure that inflation returns to target in a reasonable time frame, but that will continue to depend upon the data and the evolving assessment of risks."*

The RBA noted the surprise fall in the July CPI reading, stating that *"inflation in Australia has passed its peak. But inflation is still too high and will remain so for some time yet."* It did warn that *"The Australian economy is experiencing a period of below-trend growth"* and that there are *"significant uncertainties around the outlook"*.

Uh oh...

China's Caixin Services PMI for August undershot expectations by a solid margin, sending the CNY, AUD and NZD tumbling against the USD, as questions again rose about the Chinese economy. The PMI printed 51.8 for August, well short of the 53.6 expected, and a significant fall from July's 54.1 reading. The report said it *"signalled a softer expansion in service sector output in China during August. Business activity increased at the slowest pace in eight months. Notably, new business from abroad fell for the first time in 2023 so far."*

New Zealand's commodity price index fell -2.9% for the third consecutive month in August, further sliding after July's -2.6% fall, thanks to weak dairy prices.

Australia's Offshore Alliance Union is planning a full strike at Chevron's Wheatstone and Gorgon LNG facilities, starting September 14 for two weeks, if its demands are not met. This does not bode well for inflation. The Australian current account data came in at 7.7bn for the quarter, down from 12.5bn and worse than expectations of 8.0bn. Australian final August composite and services PMIs came in at 48.0 and 47.8, respectively.

South Korea's August CPI has risen at its fastest rate since January 2017, climbing 1.0% in August, well up on the expected 0.3% rise. For the year, headline CPI is up 3.4% against expectations of a 2.7% rise.

The GDT auction last night was up 2.7%, with whole milk powder up 5.3%, milk

fat up 2.7%, and butter up 1.1%. Cheddar was down -0.6%, skim milk powder was down -1.6%, and butter milk powder down -6.5%.

Phew...

Embattled Chinese developer Country Garden has avoided default, making its bond coupon payments of USD22.5m just in the nick of time. The payments were due today, otherwise the grace period would have expired, leaving the firm open to default demands from creditors.

Goldman Sachs has revised the probability of the US economy going into recession in the next 12 months, down from 20% to 15% in its latest update. According to GS, *"this change reflects continued encouraging inflation news, a favourable real income outlook, and the decline in the jobs-workers gap."*

The latest bout of USD strength saw the yen at 147.75, its weakest level since late last year. It was also a fresh low for the year for the NZD/USD, which fell as low 0.5860. The AUD/USD followed suit to as low as 0.6358.

The US 2-year was up to 4.9555, with the 10-year at 4.2558.



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Daily Rates

Wednesday 6 September 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.70					CAD	0.8021	0.8703
NZD/USD	0.5882	0.0000	0.0001	0.0001	-0.0004	CHF	0.5231	0.5676
NZD/AUD	0.9210	-0.0011	-0.0030	-0.0059	-0.0111	CNY	4.2948	4.6592
NZD/JPY	86.88	-0.46	-1.25	-2.56	-5.02	DKK	4.0881	4.4349
NZD/EUR	0.5485	-0.0009	-0.0024	-0.0053	-0.0108	FJD	1.3188	1.4307
NZD/GBP	0.4682	-0.0001	0.0000	0.0000	0.0001	HKD	4.6120	5.0032
						KRW	783.29	849.74
AU TWI	60.00					MYR	2.7410	2.9735
AUD/USD	0.6381	0.0008	0.0021	0.0041	0.0071	NOK	6.3036	6.8384
AUD/NZD	1.0845	0.0012	0.0033	0.0067	0.0124	SEK	6.5253	7.0789
AUD/JPY	94.25	-0.39	-1.06	-2.20	-4.37	SGD	0.8004	0.8683
AUD/EUR	0.5949	-0.0002	-0.0007	-0.0020	-0.0047	TWD	18.78	20.37
AUD/GBP	0.5079	0.0005	0.0016	0.0032	0.0063	ZAR	11.29	12.24
USD Index	104.81					EQUITIES		
EUR/USD	1.0723	0.0017	0.0046	0.0102	0.0202		Index	
USD/JPY	147.69	-0.78	-2.13	-4.34	-8.49	NZX50	11,437	
GBP/USD	1.2562	0.0001	0.0001	0.0001	-0.0019	ASX200	7,314	
EUR/GBP	0.8536	0.0012	0.0036	0.0080	0.0171	Dow Jones	34,697	
						S&P 500	4,503	
						FTSE100	7,438	
						DAX 30	15,772	
						Nikkei	33,037	
						COMMODITIES		
							USD	
						Brent Crude	89.88	
						Gold	1,926.70	
						Silver	23.55	
						Iron Ore	118.19	
						CRB Index	320.00	
							NZD	
						NZ Carbon	70.25	

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	5.64%		4.11%
90 day bank bills	5.70%		4.18%
1 year swap	5.71%		4.24%
2 year swap	5.47%		4.16%
3 year swap	5.20%		4.06%
5 year swap	4.90%		4.23%
10 year swap	4.80%		4.53%
3 year Govt bond	5.25%		3.85%
5 year Govt bond	5.07%		3.91%
10 year Govt bond	5.07%		4.21%

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