

Market Alert

Friday 8 September 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5878	0.0001
NZD/AUD	0.9210	-0.0059
NZD/JPY	86.56	-2.54
NZD/EUR	0.5496	-0.0052
NZD/GBP	0.4713	-0.0001
NZD/CNH	4.3159	-0.0498
AUD/USD	0.6377	0.0041
AUD/EUR	0.5961	-0.0019
EUR/USD	1.0694	0.0101
USD/CNH	7.3413	-0.0855
GBP/USD	1.2470	0.0004
EUR/GBP	0.8576	0.0076

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.70%	4.17%
2 year swap	5.47%	4.15%
10 year Govt	5.09%	4.23%

While the feel-good factor of my beautiful suntan is starting to disappear ...

... the pessimism of markets continues to weigh on global sentiment. No doubt, it's time to break out the sunbeds!

Overnight saw a continuation of the recent trend, with US releases highlighting the strength of the US economy, while the releases from China continued their pessimistic tone. The US labour market remains tight after jobless claims eased to a 7-month low with claimants falling by 13k to 216k, which was well below the expected 234k. Against this, the Chinese trade surplus slumped to its lowest level since May, at just USD68.4bn as exports fell -8.8%, while imports shrank -7.3%, which

saw the yuan fall to its lowest level this year at 7.3300 against the USD, with the potential to break out to its weakest levels since January 2008!

Australia also saw a decline in their trade surplus after it fell to AUD8.0b in July, which was significantly lower than June's AUD10.3b in June, and market forecasts at AUD10.0bn. It was the smallest trade surplus since February 2022 as exports fell -2.0%, while imports surged 3.0%. It's no wonder Australian PM, Anthony Albanese, has announced he will visit China later this year!

Market Alert's favourite central bank Governor, Philip Lowe, gave his last speech yesterday as the head of the central bank, announcing, *"My recent focus is the risk of wages and profits running ahead of rates. If this risk materialises and inflation became sticky, it would require tighter monetary policy. Interest rates influence housing prices, but not the reason Australia has some of the highest prices in the world. With the benefit of hindsight, my view is that we did do too much during the pandemic."* We must admit, it was refreshing to see a central bank Governor acknowledge some of the errors from his time in office although, I'm not optimistic this is a new trend!

International colleague, and BoC Governor, Tiff Macklem, was also on the newswires cautioning, *"We are concerned that progress in bringing down inflation has slowed. You can expect headline inflation is going to go up in the near term, before it*

eases" but then went a full 50-cents each way with, *"Maybe we don't need to do more, maybe we do need to do more,"* while the Feds John Williams added, *"Policy is in a good place, we are data dependent. We are seeing movement in the right direction for the economy."*

Eurozone GDP was up 0.1% for Q2 and up 0.5% on the year, with employment up 0.2% and 1.3% for the quarter and the year, respectively.

So, what did it all mean? With the overnight releases supporting what we already knew, the US-dollar index continued its trend to firm above the 105.00 level, to reach a new 6-month high. In amongst this, the NZD and AUD flatlined, while EUR/USD is threatening to break the 1.0700 level. In the other markets, US Treasury yields gave up some of their recent gains with 2 and 10-year yields easing 5bps and 3bps to 4.97% and 4.26% respectively, while equities continued their weakening trend posting modest falls, as did commodities.

But are we about to enter a new bout of food inflation?

While the prices of dairy products wouldn't necessarily justify this, it should be noted that sugar prices reached an 11-year high overnight, while rice prices reached a 15-year high!



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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	69.40					CAD	0.8041	0.8722
NZD/USD	0.5878	0.0000	0.0001	0.0001	-0.0017	CHF	0.5247	0.5694
NZD/AUD	0.9210	-0.0010	-0.0029	-0.0059	-0.0111	CNY	4.3085	4.6734
NZD/JPY	86.56	-0.42	-1.24	-2.54	-4.98	DKK	4.0990	4.4470
NZD/EUR	0.5496	-0.0008	-0.0024	-0.0052	-0.0106	FJD	1.3185	1.4305
NZD/GBP	0.4713	-0.0001	-0.0001	-0.0001	-0.0002	HKD	4.6072	4.9984
						KRW	785.14	851.79
AU TWI	60.10					MYR	2.7491	2.9825
AUD/USD	0.6377	0.0007	0.0021	0.0041	0.0057	NOK	6.2938	6.8281
AUD/NZD	1.0844	0.0011	0.0033	0.0066	0.0100	SEK	6.5521	7.1084
AUD/JPY	93.88	-0.35	-1.06	-2.18	-4.35	SGD	0.8025	0.8707
AUD/EUR	0.5961	-0.0002	-0.0007	-0.0019	-0.0045	TWD	18.84	20.44
AUD/GBP	0.5113	0.0005	0.0015	0.0031	0.0058	ZAR	11.26	12.22
USD Index	105.06					EQUITIES		
EUR/USD	1.0694	0.0015	0.0046	0.0101	0.0174		Index	
USD/JPY	147.23	-0.71	-2.13	-4.34	-8.10	NZX50	11,427	
GBP/USD	1.2470	0.0001	0.0000	0.0004	-0.0035	ASX200	7,171	
EUR/GBP	0.8576	0.0011	0.0036	0.0076	0.0161	Dow Jones	34,510	
						S&P 500	4,452	
INTEREST RATES			New Zealand		Australia	FTSE100	7,442	
			Mid		Mid	DAX 30	15,719	
30 day bank bills			5.64%		4.11%	Nikkei	32,991	
90 day bank bills			5.70%		4.17%	COMMODITIES		
1 year swap			5.72%		4.24%		USD	
2 year swap			5.47%		4.16%	Brent Crude	90.07	
3 year swap			5.21%		4.04%	Gold	1,919.41	
5 year swap			4.91%		4.20%	Silver	22.98	
10 year swap			4.81%		4.46%	Iron Ore	118.97	
3 year Govt bond			5.27%		3.88%	CRB Index	318.80	
5 year Govt bond			5.09%		3.93%		NZD	
10 year Govt bond			5.09%		4.23%	NZ Carbon	71.75	

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