

Market Alert

Wednesday 04 October 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5905	-0.0001
NZD/AUD	0.9374	-0.0063
NZD/JPY	87.95	-2.65
NZD/EUR	0.5638	-0.0051
NZD/GBP	0.4884	-0.0007
NZD/CNH	4.3240	-0.0448
AUD/USD	0.6302	0.0040
AUD/EUR	0.6014	-0.0015
EUR/USD	1.0475	0.0090
USD/CNH	7.3203	-0.0737
GBP/USD	1.2089	0.0014
EUR/GBP	0.8665	0.0063

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.76%	4.21%
2 year swap	5.77%	4.33%
10 year Govt	5.53%	4.64%

Weak yen versus a strong USD

Japanese finance minister, Shunichi Suzuki, tried some verbal intervention on the JPY yesterday, stating "It's important for currencies to move in stable manner reflecting fundamentals. We will make appropriate steps on FX moves with high sense of urgency." The intervention talk saw the yen surge from its weakest level in a year versus the USD. The USD has been on a tear for the last three months, at the same time as markets have been questioning Japan's ultra-easy monetary policy amid robust inflation.

US Treasuries continued to sell off overnight, the yield on the 10-year up another 11bps to 4.79% - a sixteen year high - following strong US jobs data. With the 10-year yield up 70bps over the past five weeks alone, these moves are extreme by anyone's standards and are

responsible for the significant upward pressure on global yields and the strong USD. Friday nights monthly US payrolls data will be closely watched for signs of cooling, with a strong reading reinforcing the 'higher for longer' narrative.

The NZIER Q3 economic update merely highlighted what we already know ... *"domestic demand remains soft and there has been a sharp easing in labour shortages. These developments suggest that higher interest rates are starting to dampen demand in the New Zealand economy. There has been an easing in capacity pressures more broadly. Pricing pressures have eased while cost pressures remain intense."* Unsurprisingly, -53% of businesses expect a worsening in general economic conditions over the coming months.

Last night's GDT auction was another step in the right direction, with the GDT price index up 4.4%, back above USD3,000/MT, WMP was up 4.8%, SMP up 6.6%, Butter up 1.3%, Milk Fat up 3.7%, only Cheddar and Lactose saw their price fall, by -4.8% and -1.3% respectively.

Citibank believe Brent crude prices will fall back to the low USD70.00 a barrel next year as oil markets swing back to surplus as *"more oil comes onto the market. Higher prices in the near term could make for more downside risk in prices next year."*

If the politicians wanted a different result ...

... maybe they should have replaced the Board, not just the boss after new RBA Governor, Michele Bullock, took her lead from her old boss, Philip Lowe, and did exactly what we would have expected him to do ... leave the Australian cash rate unchanged at 4.10%. This is what the market expected, and what Ms Bullock delivered, with the statement highlighting, *"Some further tightening of monetary policy may be required to ensure that inflation returns to target in a reasonable timeframe, but that will continue to depend upon the data and the evolving assessment of risks."*

Other highlights included, *"Higher rates are working to balance supply and demand. The economy was a little stronger than expected in 1H. The rate pause will provide time to assess the impact of the hikes to date. Further tightening depends on the data, and how the risks evolve. Labour market conditions remain tight. Inflation in Australia has passed its peak, although it is still too high, and it will likely remain so for some time."*

Australian interest rates were largely unchanged, although the AUD/USD dipped below 0.6300 overnight, nearing a 12-month low.



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Daily Rates

Wednesday 04 October 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.70					CAD	0.8095	0.8639
NZD/USD	0.5905	0.0000	0.0000	-0.0001	-0.0014	CHF	0.5435	0.5800
NZD/AUD	0.9374	-0.0011	-0.0032	-0.0063	-0.0123	CNY	4.3504	4.6856
NZD/JPY	87.95	-0.45	-1.33	-2.65	-5.25	DKK	4.2038	4.4857
NZD/EUR	0.5638	-0.0007	-0.0026	-0.0051	-0.0113	FJD	1.3303	1.4197
NZD/GBP	0.4884	-0.0001	-0.0004	-0.0007	-0.0021	HKD	4.6249	4.9350
						KRW	803.54	857.56
AU TWI	59.90					MYR	2.7883	2.9758
AUD/USD	0.6302	0.0007	0.0022	0.0040	0.0067	NOK	6.4783	6.9138
AUD/NZD	1.0668	0.0012	0.0035	0.0068	0.0130	SEK	6.5495	6.9898
AUD/JPY	93.85	-0.37	-1.11	-2.22	-4.46	SGD	0.8106	0.8651
AUD/EUR	0.6014	-0.0001	-0.0007	-0.0015	-0.0043	TWD	19.10	20.39
AUD/GBP	0.5213	0.0005	0.0014	0.0026	0.0046	ZAR	11.40	12.16
USD Index	107.00					EQUITIES		
EUR/USD	1.0475	0.0014	0.0047	0.0090	0.0181		Index	
USD/JPY	148.88	-0.76	-2.26	-4.45	-8.56	NZX50	11,236	
GBP/USD	1.2089	0.0002	0.0008	0.0014	0.0017	ASX200	6,943	
EUR/GBP	0.8665	0.0009	0.0031	0.0063	0.0133	Dow Jones	32,989	
						S&P 500	4,224	
INTEREST RATES			New Zealand		Australia	FTSE100	7,470	
			Mid		Mid	DAX 30	15,085	
30 day bank bills			5.67%		4.11%	Nikkei	31,238	
90 day bank bills			5.76%		4.21%	COMMODITIES		
1 year swap			5.94%		4.35%		USD	
2 year swap			5.77%		4.35%	Brent Crude	91.01	
3 year swap			5.54%		4.29%	Gold	1,824.62	
5 year swap			5.29%		4.52%	Silver	21.17	
10 year swap			5.25%		4.90%	Iron Ore	120.14	
3 year Govt bond			5.62%		4.14%	CRB Index	318.54	
5 year Govt bond			5.48%		4.24%		NZD	
10 year Govt bond			5.53%		4.64%	NZ Carbon	65.50	

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