

Market Alert

Wednesday 11 October 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6033	0.0000
NZD/AUD	0.9394	-0.0063
NZD/JPY	89.75	-2.68
NZD/EUR	0.5696	-0.0049
NZD/GBP	0.4915	-0.0006
NZD/CNH	4.3992	-0.0449
AUD/USD	0.6421	0.0042
AUD/EUR	0.6059	-0.0013
EUR/USD	1.0596	0.0092
USD/CNH	7.2901	-0.0743
GBP/USD	1.2273	0.0014
EUR/GBP	0.8631	0.0061

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.72%	4.19%
2 year swap	5.64%	4.16%
10 year Govt	5.55%	4.55%

The Tokyo open

saw US treasury yields play 'catch-up' falling from Saturday's close at 4.79% to 4.64%, although once the market was up and running, we saw little change, with the 10-year yield now at 4.65%. The 2-year has been holding up a bit stronger trading down 10bps from Friday's close at 4.97%, no doubt influenced by the US consumer inflation expectation survey which firmed from 3.6% to 3.7% in September, its highest level in 3 months. In amongst the re-opening, the US treasury sold USD46 billion of 3-year notes at a high yield of 4.74%, slightly higher the pre-auction level of 4.73%.

Equity prices posted solid gains after Fed member, Raphael Bostic, stated, "I think our policy rate is sufficiently restrictive to get inflation to 2.0%. We don't need to increase rates anymore." Commodity

markets were mixed, although European natural gas futures rallied a further 12%, following yesterday's 15% rally, after a probe into a undersea gas pipe leak connecting Finland to Estonia, suggested it may have been deliberately damaged. FX markets also took their lead from the USD, and were flat, although it should be noted NZD/AUD is at 0.9400.

US NFIB small business optimism fell for a second consecutive month to 90.8 in September from 91.3.

Word on the street is that the Chinese authorities are weighing up increasing their budget deficit by at least CNY1trn (USD137 billion) for spending on infrastructure, in an attempt to re-stimulate their economy. Unfortunately, it didn't support the CNY which has weakened back towards the 7.2950 level against the USD.

Australian monthly consumer confidence firmed up 2.3pips to 82.0, while the weekly index firmed from 78.2 to 80.1, but like the Wallabies, the performance flatters to deceive, given that both indexes remain deeply contractionary. On the contrary, business confidence remained unchanged for the 3rd month in a row at 1, while business conditions fell back to 11 from 14 in August.

Spend like there is no tomorrow. There was some mildly positive news out of the UK with the BRC retail sales index increasing 2.8% in the 12-months to September, while the Barclays consumer credit/debit card spending index increased 4.2%.

The IMF left its global growth forecast unchanged at 3.0% for 2023, although they have cut their 2024 forecast from 3.0% to 2.9%. Breaking the countries down, the US growth projections were raised to from 1.8% to 2.1% for the current year and 1.0% to 1.5% for next year, while the Chinese forecasts were downgraded from 5.2% to 5.0% and from 4.5% to 4.2%. The IMF also revised higher their global inflation forecasts from 6.8% to 6.9% for 2023 and from 5.2% to 5.8% in 2024.

Meanwhile, World Bank Chief Economist, Indermit Gill, announced that rising debt levels among "seemingly healthy" Asian countries could drag growth lower within the region as, "We have simultaneous problems: too much debt and too little investment." The result could be "much lower growth" than we were forecasting.

Has the penny finally dropped?

WSJ Fed whisperer Nick Timiraos announced, "the run-up in long-term interest rates might substitute for a further central bank rate hike." Japanese Finance Minister Shunichi Suzuki stated, "The current yen weakening caused in part by interest rate differentials." You think so? Both Goldmans and Morgan Stanley produced updated oil forecasts stressing the conflict is unlikely to have a large impact in the near-term as the current supply-demand imbalance, and short-term inventory levels are the fundamental drivers.



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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	71.50					CAD	0.8201 0.8728
NZD/USD	0.6033	0.0000	0.0001	0.0000	-0.0016	CHF	0.5460 0.5813
NZD/AUD	0.9394	-0.0011	-0.0032	-0.0063	-0.0127	CNY	4.4029 4.6862
NZD/JPY	89.75	-0.46	-1.35	-2.68	-5.33	DKK	4.2448 4.5178
NZD/EUR	0.5696	-0.0007	-0.0025	-0.0049	-0.0114	FJD	1.3452 1.4317
NZD/GBP	0.4915	-0.0001	-0.0003	-0.0006	-0.0021	HKD	4.7176 5.0210
						KRW	810.55 862.68
AU TWI	60.60					MYR	2.8518 3.0352
AUD/USD	0.6421	0.0008	0.0023	0.0042	0.0069	NOK	6.5200 6.9393
AUD/NZD	1.0638	0.0012	0.0035	0.0068	0.0133	SEK	6.5599 6.9821
AUD/JPY	95.49	-0.38	-1.12	-2.24	-4.47	SGD	0.8225 0.8754
AUD/EUR	0.6059	-0.0001	-0.0006	-0.0013	-0.0042	TWD	19.36 20.60
AUD/GBP	0.5231	0.0005	0.0015	0.0028	0.0047	ZAR	11.49 12.23
USD Index	105.87					EQUITIES	
EUR/USD	1.0596	0.0014	0.0047	0.0092	0.0180		Index
USD/JPY	148.71	-0.77	-2.26	-4.40	-8.45	NZX50	11,293
GBP/USD	1.2273	0.0002	0.0009	0.0014	0.0014	ASX200	7,041
EUR/GBP	0.8631	0.0010	0.0031	0.0061	0.0132	Dow Jones	33,775
						S&P 500	4,362
INTEREST RATES			New Zealand		Australia	FTSE100	7,628
			Mid		Mid	DAX 30	15,424
30 day bank bills			5.65%		4.10%	Nikkei	31,747
90 day bank bills			5.72%		4.19%	COMMODITIES	
1 year swap			5.84%		4.25%		USD
2 year swap			5.64%		4.18%	Brent Crude	87.79
3 year swap			5.43%		4.14%	Gold	1,859.69
5 year swap			5.23%		4.41%	Silver	21.77
10 year swap			5.25%		4.77%	Iron Ore	118.18
3 year Govt bond			5.52%		3.99%	CRB Index	316.19
5 year Govt bond			5.45%		4.11%		NZD
10 year Govt bond			5.55%		4.55%	NZ Carbon	67.25

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