

Market Alert

Thursday 12 October 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6016	0.0000
NZD/AUD	0.9394	-0.0063
NZD/JPY	89.81	-2.69
NZD/EUR	0.5676	-0.0050
NZD/GBP	0.4891	-0.0006
NZD/CNH	4.3931	-0.0472
AUD/USD	0.6403	0.0042
AUD/EUR	0.6038	-0.0013
EUR/USD	1.0601	0.0091
USD/CNH	7.3013	-0.0785
GBP/USD	1.2296	0.0014
EUR/GBP	0.8619	0.0062

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.72%	4.19%
2 year swap	5.63%	4.16%
10 year Govt	5.51%	4.51%

Opinions are like noses ... everyone's got one!

Yes, it is a lot more civilised than the original quote!

WSJ Fed whisperer, Nick Timiraos, announced, "The sustained rise in long-term Treasury yields could be bringing the Fed's historic rate hiking cycle to an anticlimactic end," Fed member, Mary Daly, countered, "We have more work to do, inflation is still high. Fed policy is helping supply and demand get into a better balance. In future we could see the nominal neutral rate go to 2.5%-3%. The new normal may be a little different, but probably won't be a gigantic reset" although she then ended with "If bond yields are tight, that could be the equivalent of another rate hike."

Minneapolis Fed President, Neel Kashkari, stated "I'm optimistic we can

shrink the Fed's balance sheet back to pre-crisis trend line. We are seeing higher long-term Treasury yields but not higher inflation. It's possible that higher bond yields could leave less for the Fed to do. If higher long-term yields are due to expectations about Fed actions, we may need to deliver." Finally, the Fed's, Michelle Bowman, added that interest rates may need to rise further and stay higher for longer.

RBA Assistant Governor, Christopher Kent, was on the newswires yesterday, announcing "Monetary policy is slowing the growth of demand inflation. Policy lags mean some further effects of past rate hikes are still to be felt through the economy. The effect of slower demand growth on inflation is now building. Mortgage payments are at a record share of household disposable income, and they will rise further. We now have the opportunity to see how economy reacts to past hikes. There are no current plans to step up the pace of bond holdings. If we were to sell bonds, would do it in a way that would not disturb markets. The CPI data will be important, but it is not the only consideration for policy."

US producer prices rose a greater-than-expected 0.5% in September, bolstered by higher energy costs. Excluding food and energy, the index rose an annualized 2.7% from a revised 2.5% prior. Eurozone inflation in the 12-months to August edged up to 3.5%, an increase from the June and July lows at 3.4%.

Considering the geo-political risks, financial markets were relatively quiet. The 10-year US yield eased lower, falling 5 bp to 4.61%, although the 2-year

firmed 3 bp to 5.02%, WTI crude fell 2.6% as commodity prices weakened, equities markets were flat, and the NZD/USD and AUD/USD eased lower.

The Fed minutes ...

... from the September meeting confirmed, "The participants judged that risks had become more two-sided with downside risks to economic activity and upside risks to the unemployment rate. All participants agreed that policy should remain restrictive for some time. Current inflation is unacceptably high although it has moderated somewhat over the past year. Several participants noted that the process of balance sheet runoff could continue for some time, even after the Committee begins to reduce the target range for the federal funds rate."

Someone's talking their own book!

Deutsche Bank recommends going into 2024 overweight in equities although, hedge fund guru, Paul Tudor Jones, said, "It's a really challenging time to want to be an equity investor in U.S. stocks right now with the geo-political uncertainty, weak fiscal position, and interest costs."

MUFG announced "recent remarks by Federal Reserve officials suggest unease with the rapid ascent in US yields, implying that the central bank may hesitate to hike rates again in the near term. The market's interpretation of these signals may lead to further pressure on the USD."



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Thursday 12 October 2023

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	71.60					CAD	0.8184 0.8709
NZD/USD	0.6016	0.0000	0.0001	0.0000	-0.0012	CHF	0.5432 0.5783
NZD/AUD	0.9394	-0.0011	-0.0034	-0.0063	-0.0123	CNY	4.3950 4.6769
NZD/JPY	89.81	-0.44	-1.39	-2.69	-5.27	DKK	4.2307 4.5028
NZD/EUR	0.5676	-0.0007	-0.0025	-0.0050	-0.0108	FJD	1.3432 1.4296
NZD/GBP	0.4891	-0.0001	-0.0003	-0.0006	-0.0019	HKD	4.7048 5.0074
						KRW	805.69 857.52
AU TWI	60.60					MYR	2.8371 3.0197
AUD/USD	0.6403	0.0007	0.0023	0.0042	0.0070	NOK	6.5357 6.9561
AUD/NZD	1.0638	0.0011	0.0036	0.0070	0.0131	SEK	6.5709 6.9936
AUD/JPY	95.56	-0.36	-1.15	-2.25	-4.45	SGD	0.8202 0.8730
AUD/EUR	0.6038	-0.0001	-0.0005	-0.0013	-0.0039	TWD	19.31 20.55
AUD/GBP	0.5206	0.0005	0.0015	0.0028	0.0047	ZAR	11.33 12.06
USD Index	105.89					EQUITIES	
EUR/USD	1.0601	0.0013	0.0047	0.0091	0.0180		Index
USD/JPY	149.25	-0.74	-2.33	-4.47	-8.49	NZX50	11,306
GBP/USD	1.2296	0.0002	0.0009	0.0014	0.0015	ASX200	7,088
EUR/GBP	0.8619	0.0009	0.0032	0.0062	0.0129	Dow Jones	33,731
						S&P 500	4,357
INTEREST RATES			New Zealand		Australia	FTSE100	7,620
			Mid		Mid	DAX 30	15,460
30 day bank bills			5.65%		4.10%	Nikkei	31,937
90 day bank bills			5.72%		4.19%	COMMODITIES	
1 year swap			5.84%		4.24%		USD
2 year swap			5.63%		4.18%	Brent Crude	85.70
3 year swap			5.41%		4.13%	Gold	1,872.29
5 year swap			5.19%		4.38%	Silver	21.99
10 year swap			5.19%		4.68%	Iron Ore	117.40
3 year Govt bond			5.49%		4.00%	CRB Index	315.97
5 year Govt bond			5.41%		4.10%		NZD
10 year Govt bond			5.51%		4.51%	NZ Carbon	67.18

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED