

Market Alert

Tuesday 17 October 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5926	0.0000
NZD/AUD	0.9341	-0.0062
NZD/JPY	88.64	-2.63
NZD/EUR	0.5615	-0.0049
NZD/GBP	0.4851	-0.0006
NZD/CNH	4.3318	-0.0453
AUD/USD	0.6342	0.0042
AUD/EUR	0.6007	-0.0014
EUR/USD	1.0553	0.0090
USD/CNH	7.3094	-0.0767
GBP/USD	1.2212	0.0013
EUR/GBP	0.8640	0.0064

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.75%	4.20%
2 year swap	5.67%	4.21%
10 year Govt	5.51%	4.57%

Counting down to the inflation release.

Today's excitement, apart from the INFINZ conference, will be this morning's CPI release with most forecasters projecting a release in the 6.0%-6.2% range. Going into the release this morning, global equity markets are in a buoyant mood, broadly 0.5%-1.0% higher, although commodity markets lost some of their shine with oil prices falling -1.5%. Treasury yields bounced higher with the 2 and 10-years firming 5bp and 8bp respectively to yield 5.09% and 4.71%, as concern grew as to whether the US could conceivably fund 2-wars, although the USD-index saw some profit taking, easing back to the 106.00 level falling -1.25%. This saw both the NZD/USD and AUD/USD firm to post modest profits, with the AUD

outperforming to drive NZD/AUD lower.

Overnight, most of the data was fairly subdued with little to excite traders. The highlight was the PBoC leaving their 1-year Medium-term Lending Facility (MLF) rate unchanged rate at 2.50% while, second off the rank, the NY empire manufacturing index fell to -4.6 in October from 1.9 in September, although it was better than forecasts which were at -7.0. The Euro-zone posted a trade surplus of EUR6.7bn in August after imports plummeted -24.6% while exports eased -3.9% and, finally, Germany's wholesale prices dropped for the sixth consecutive month falling -4.1% in the year to September.

ECB President, Christine Lagarde, also announced, "The ECB is watching oil for inflation risks."

Hanging with the IMF in Morocco

PBOC Governor, Pan Gongsheng, speaking at the IMF weekend conference, announced, "positive factors in China's economic operation are accumulating and the bright spots have increased, and are expected to improve. We will provide more substantial support to the real economy. The PBOC will provide continuous support to ride the uptick in economic momentum to expand domestic demand, boost expectations and provide more substantial support for the real economy." BoE Governor Andrew Bailey, then added, "Increases in borrowing costs were having an impact on employment numbers and in the housing markets. The potential growth

in the UK has fallen from 2.25-2.5% in the past to 1.5% at best, and that complicates monetary policy. Interest rates will likely remain at around the current 5.25% as policy has to be restrictive to get inflation back to 2.0%. The last mile will be the hardest." Finally, former Fed member and St. Louis President James Bullard stated, "The risk that's underpriced in markets is that disinflation stalls out or stops altogether and core PCE inflation starts to go up again. If that happens the committee will have to contemplate going to 6.0% or 6.5%."

Rent-a-quote JP Morgan CEO Jamie Dimon, announced "The war in Ukraine and last week's attacks on Israel may have far-reaching impacts on energy and food markets, global trade, and geopolitical relationships. This may be the most dangerous time the world has seen in decades. US consumers and businesses generally remain healthy, although, consumers are spending down their excess cash buffers. However, persistently tight labour markets, high government debt levels, and large fiscal deficits ever are increasing the risks that inflation remains elevated and that interest rates rise further from here. We also do not know the longer-term consequences of QT which is reducing liquidity in the system."

Former Bank of China chairman Liu Liang, has been arrested on suspicion of taking bribes and illegally granting loans. Who would have thought a bank could have done such a thing!



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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	70.40					CAD	0.8068	0.8636
NZD/USD	0.5926	0.0000	0.0001	0.0000	-0.0014	CHF	0.5331	0.5706
NZD/AUD	0.9341	-0.0011	-0.0031	-0.0062	-0.0126	CNY	4.3283	4.6329
NZD/JPY	88.64	-0.46	-1.33	-2.63	-5.21	DKK	4.1881	4.4821
NZD/EUR	0.5615	-0.0007	-0.0025	-0.0049	-0.0110	FJD	1.3311	1.4245
NZD/GBP	0.4851	-0.0001	-0.0003	-0.0006	-0.0020	HKD	4.6332	4.9584
						KRW	799.43	855.55
AU TWI	59.90					MYR	2.8054	3.0023
AUD/USD	0.6342	0.0008	0.0022	0.0042	0.0070	NOK	6.4781	6.9329
AUD/NZD	1.0699	0.0012	0.0034	0.0068	0.0130	SEK	6.4711	6.9253
AUD/JPY	94.85	-0.39	-1.12	-2.21	-4.42	SGD	0.8104	0.8673
AUD/EUR	0.6007	-0.0001	-0.0007	-0.0014	-0.0040	TWD	19.11	20.45
AUD/GBP	0.5192	0.0005	0.0014	0.0028	0.0049	ZAR	11.12	11.90
USD Index	106.27					EQUITIES		
EUR/USD	1.0553	0.0014	0.0045	0.0090	0.0181		Index	
USD/JPY	149.55	-0.79	-2.27	-4.45	-8.52	NZX50	11,185	
GBP/USD	1.2212	0.0002	0.0008	0.0013	0.0013	ASX200	7,027	
EUR/GBP	0.8640	0.0010	0.0031	0.0064	0.0132	Dow Jones	33,971	
						S&P 500	4,376	
INTEREST RATES			New Zealand		Australia	FTSE100	7,631	
			Mid		Mid	DAX 30	15,238	
30 day bank bills			5.65%		4.11%	Nikkei	31,659	
90 day bank bills			5.75%		4.20%	COMMODITIES		
1 year swap			5.87%		4.26%		USD	
2 year swap			5.67%		4.22%	Brent Crude	89.63	
3 year swap			5.45%		4.20%	Gold	1,917.90	
5 year swap			5.23%		4.44%	Silver	22.58	
10 year swap			5.19%		4.78%	Iron Ore	118.57	
3 year Govt bond			5.51%		4.05%	CRB Index	320.75	
5 year Govt bond			5.43%		4.15%		NZD	
10 year Govt bond			5.51%		4.57%	NZ Carbon	67.75	

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