

Market Alert

Thursday 26 October 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5809	0.0002
NZD/AUD	0.9202	-0.0051
NZD/JPY	87.12	-2.59
NZD/EUR	0.5494	-0.0046
NZD/GBP	0.4792	-0.0006
NZD/CNH	4.2576	-0.0428
AUD/USD	0.6311	0.0036
AUD/EUR	0.5968	-0.0018
EUR/USD	1.0570	0.0089
USD/CNH	7.3286	-0.0757
GBP/USD	1.2121	0.0015
EUR/GBP	0.8721	0.0061

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.68%	4.29%
2 year swap	5.54%	4.52%
10 year Govt	5.51%	4.82%

Demand for luxury supercars is "through the roof"...

... in Australia according to *The Australian*, and with Australian CPI weakening, but not by quite enough, maybe the RBA will restart their hiking cycle at their November meeting! There's certainly a couple of local banks calling for it!

Breaking the CPI print down, the positive news is that headline inflation is moving in the right direction, the bad news is that it's not falling fast enough nor, as quickly as most forecasters projected, in fact, headline inflation actually firmed on a quarterly basis from 0.8% to 1.2%, although it fell from 6.0% to 5.4% on the year, meanwhile trimmed mean inflation firmed from 0.9% to 1.2% on the quarter, and fell from 5.9% to 5.2% on the year. This saw Australian Treasurer, Jim

Chalmers, suggest that while inflation is moderating overall, it is proving to be more persistent.

In Canada, the BoC left their cash rate unchanged at 5.00% as expected, but signalled more hikes are possible as the "Governing Council is concerned that progress toward price stability is slow and inflationary risks have increased. (The BoC) is prepared to raise the policy rate further if needed." With progress towards price stability being regarded as "slow", the BoC aren't expecting inflation to return to 2% until 2025. I suspect we'll get something similar from the ECB tonight!

Looking at the other data releases, US new home sales jumped to a 19-month high surging 12.3%, German business confidence rose for the first time in 6-months, by 1.1 points to 86.9, while Eurozone lending growth rose by just 0.8% in the year to September, which was its lowest level since June 2015.

International equity markets spent the overnight session in the red -1.0% to -2.0% after Alphabet missed its profit guide, while bond markets reverted to trend, with the 10-year yield rallying 11bp to 4.95%, while the stronger-than-expected Australian CPI print saw the Australian 10-year yield rally 13bp to 4.83%. With US yields higher across the curve the USD-index naturally firmed, which saw the NZD and AUD weaken toward 12-month lows. Oil prices fluctuated throughout the session, and are currently higher by 2.0%, while gold also rallied on safe-haven flows.

Not happy with the 'bean-counters' numbers ...

... the BoJ has been producing its own and 'weighted median' inflation data since 2001, and for the first time ever it reached the central bank's target hitting 2.0% in September, up from August's 1.8%.

Fed 'insider', Nick Timiraos, of the WSJ has tweeted, "most banks continue to think the FOMC has made its last rate increase of the current cycle."

At their Q3 update, the Visa CEO confirmed consumers are still happy to rack up debt on their credit cards, announcing, "Consumer spending remained resilient, driving growth in payments volume and processed transactions."

Following the 'authorisation' to increase the Chinese deficit to 3.8% of GDP, the Chinese Vice Finance Minister confirmed, "Government debt level is still within a reasonable range despite the modest rise in the budget deficit ratio this year. The usage of new sovereign bonds can drive up domestic demand actively, and further consolidate the economic recovery."

What could go wrong ... Goldmans is expanding its use of an AI-technology to make it easier for clients to plan complex derivatives trades!

Finally, the Republican party took a further step to the right after Trump ally, Mike Johnson, was elected as Speaker of the House.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Thursday 26 October 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.60					CAD	0.8008	0.8700
NZD/USD	0.5809	0.0000	0.0001	0.0002	-0.0005	CHF	0.5206	0.5656
NZD/AUD	0.9202	-0.0010	-0.0027	-0.0051	-0.0089	CNY	4.2628	4.6363
NZD/JPY	87.12	-0.43	-1.34	-2.59	-5.03	DKK	4.1008	4.4552
NZD/EUR	0.5494	-0.0007	-0.0024	-0.0046	-0.0099	FJD	1.3101	1.4233
NZD/GBP	0.4792	-0.0001	-0.0003	-0.0006	-0.0015	HKD	4.5439	4.9365
						KRW	785.14	852.99
AU TWI	60.50					MYR	2.7750	3.0148
AUD/USD	0.6311	0.0007	0.0020	0.0036	0.0055	NOK	6.4966	7.0580
AUD/NZD	1.0862	0.0010	0.0032	0.0057	0.0098	SEK	6.4693	7.0283
AUD/JPY	94.66	-0.37	-1.18	-2.31	-4.59	SGD	0.7964	0.8652
AUD/EUR	0.5968	-0.0007	-0.0009	-0.0018	-0.0051	TWD	18.83	20.46
AUD/GBP	0.5206	0.0004	0.0012	0.0022	0.0027	ZAR	11.10	12.06
USD Index	106.48					EQUITIES		
EUR/USD	1.0570	0.0013	0.0045	0.0089	0.0182		Index	
USD/JPY	149.98	-0.74	-2.32	-4.51	-8.52	NZX50	10,884	
GBP/USD	1.2121	0.0002	0.0008	0.0015	0.0020	ASX200	6,854	
EUR/GBP	0.8721	0.0009	0.0030	0.0061	0.0130	Dow Jones	33,049	
						S&P 500	4,192	
INTEREST RATES			New Zealand		Australia	FTSE100	7,414	
			Mid		Mid	DAX 30	14,892	
30 day bank bills			5.64%		4.14%	Nikkei	31,270	
90 day bank bills			5.68%		4.29%	COMMODITIES		
1 year swap			5.74%		4.51%		USD	
2 year swap			5.54%		4.54%	Brent Crude	89.96	
3 year swap			5.34%		4.51%	Gold	1,982.87	
5 year swap			5.17%		4.78%	Silver	22.92	
10 year swap			5.23%		5.11%	Iron Ore	118.19	
3 year Govt bond			5.38%		4.32%	CRB Index	318.87	
5 year Govt bond			5.34%		4.43%		NZD	
10 year Govt bond			5.51%		4.82%	NZ Carbon	69.25	

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