

# Market Alert

Friday 03 November 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5892	0.0002
NZD/AUD	0.9160	-0.0046
NZD/JPY	88.64	-2.55
NZD/EUR	0.5546	-0.0045
NZD/GBP	0.4827	-0.0004
NZD/CNH	4.3186	-0.0516
AUD/USD	0.6427	0.0034
AUD/EUR	0.6047	-0.0019
EUR/USD	1.0625	0.0089
USD/CNH	7.3278	-0.0904
GBP/USD	1.2202	0.0015
EUR/GBP	0.8707	0.0062

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.64%	4.35%
2 year swap	5.36%	4.49%
10 year Govt	5.27%	4.79%

## Is every central bank now on hold?

The BoE sat on the sidelines overnight leaving their cash rate at 5.25% for a second consecutive meeting with 6 members voting for the hold while the remaining 3 voted for a hike, but what was interesting is that while this may be the end to the BoE's hiking cycle, there was a push back from the central bank and a hardening in their language as to the possibility of rate cuts next year. Prior to the meeting, markets had been pricing in at least two 25bps cuts by the end of 2024, but BoE Governor, Andrew Bailey, pushed back against this saying it's "too early" to be talking about cuts while the statement stated interest rates need to be restrictive for "an extended period of time".

The Norwegian central bank, the Norges Bank, also left their key cash rate unchanged at 4.25%, as was expected, although they warned the cash rate will likely be raised in December as core inflation remains elevated. The interesting fact here is that the Norwegian economy is very similar to the New Zealand economy, with central bank moves often mirroring each other.

Following yesterday's perceived 'dovish' FOMC meeting, bond markets cemented in a few additional basis points from yesterday's rally, with the 2 and 10-year yields consolidating at 4.98% and 4.67% respectively, while currency markets are broadly unchanged from the Asian close. There is no doubt that equity markets are enjoying the ambiguity rallying 2.0%, as are commodity markets, but the thing is, in the Q&A session Chairman Powell wasn't particularly dovish emphasising that the central bank will maintain their patient approach retaining as much flexibility as possible. Not everyone is buying into the theory that the Fed is done with its tightening cycle with "rent-a-quote" Jamie Dimon announcing that another 75 bps of hikes are still possible while ex-UBS chair Axel Weber is forecasting another Fed rate hike next month.

## Are we seeing the first cracks in the Australian economy?

Well I don't know about that but Australia's trade balance, which has

generated some stellar numbers over the last 3 or 4-years, reached a 30-month low at AUD6.79bn in September, well below expectations at AUD9.5bn and much worse than last month's AUD10.16bn. Exports were down -1.4% while imports jumped 7.5%.

US weekly jobless claims increased by 5k to 217k while continuing claims increased 35k to just over 1.8m indicating a cooling in the US labour market, however, this is potentially a little misleading given data showed there were 1.5 job openings for every unemployed person in September. In other headlines, US non-farm productivity increased by an annualised rate of 4.7% for the September quarter, its fastest pace in 3-years, while unit labour costs fell by -0.8% on the quarter.

Japanese Prime Minister, Fumio Kishida, announced a JPY17trn economic stimulus package to counteract rising inflation, including tax cuts. The package will be supplemented by an extra budget for the current fiscal year of JPY13.1trn. Finance Minister Suzuki also announced, "We're not in a position where we can say deflation won't return."

Will Winne be the winner today? Well, we'll find out at 3pm when all of the special votes will be counted, and we'll have some idea of what our future Governments composition will look like. Christopher Luxon has been adamant that he will not form a coalition with Uncle Winnie, although we should remember, it's not unusual for a politician to 'change his mind.'



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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	70.00					CAD	0.8103 0.8841
NZD/USD	0.5892	0.0000	0.0001	0.0002	-0.0003	CHF	0.5334 0.5822
NZD/AUD	0.9160	-0.0008	-0.0026	-0.0046	-0.0077	CNY	4.3096 4.7001
NZD/JPY	88.64	-0.41	-1.31	-2.55	-4.96	DKK	4.1378 4.5136
NZD/EUR	0.5546	-0.0006	-0.0022	-0.0045	-0.0099	FJD	1.3193 1.4391
NZD/GBP	0.4827	-0.0001	-0.0002	-0.0004	-0.0013	HKD	4.6105 5.0308
						KRW	785.40 856.72
AU TWI	60.90					MYR	2.7987 3.0528
AUD/USD	0.6427	0.0006	0.0019	0.0034	0.0050	NOK	6.5720 7.1687
AUD/NZD	1.0906	0.0009	0.0029	0.0052	0.0083	SEK	6.5464 7.1408
AUD/JPY	96.70	-0.36	-1.17	-2.32	-4.67	SGD	0.8039 0.8769
AUD/EUR	0.6047	-0.0001	-0.0008	-0.0019	-0.0060	TWD	19.05 20.78
AUD/GBP	0.5265	0.0004	0.0012	0.0022	0.0031	ZAR	10.86 11.85
USD Index	106.13					<b>EQUITIES</b>	
EUR/USD	1.0625	0.0012	0.0045	0.0089	0.0185		<b>Index</b>
USD/JPY	150.39	-0.71	-2.26	-4.39	-8.36	NZX50	11,044
GBP/USD	1.2202	0.0001	0.0007	0.0015	0.0017	ASX200	6,900
EUR/GBP	0.8707	0.0009	0.0031	0.0062	0.0133	Dow Jones	33,783
						S&P 500	33,782
						FTSE100	4,312
						DAX 30	15,144
						Nikkei	31,950
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>		
			<b>Mid</b>		<b>Mid</b>		
30 day bank bills			5.58%		4.18%		
90 day bank bills			5.64%		4.35%		
1 year swap			5.65%		4.51%		
2 year swap			5.36%		4.49%		
3 year swap			5.15%		4.46%		
5 year swap			5.00%		4.72%		
10 year swap			5.13%		5.00%		
3 year Govt bond			5.17%		4.31%		
5 year Govt bond			5.07%		4.43%		
10 year Govt bond			5.27%		4.79%		
						<b>COMMODITIES</b>	
							<b>USD</b>
						Brent Crude	86.87
						Gold	1,985.57
						Silver	22.77
						Iron Ore	122.33
						CRB Index	316.12
							<b>NZD</b>
						NZ Carbon	70.10

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