

Market Alert

Tuesday 07 November 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5975	0.0001
NZD/AUD	0.9198	-0.0046
NZD/JPY	89.52	-2.59
NZD/EUR	0.5566	-0.0045
NZD/GBP	0.4830	-0.0005
NZD/CNH	4.3491	-0.0573
AUD/USD	0.6494	0.0033
AUD/EUR	0.6050	-0.0020
EUR/USD	1.0733	0.0086
USD/CNH	7.2803	-0.0975
GBP/USD	1.2367	0.0012
EUR/GBP	0.8676	0.0060

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.63%	4.35%
2 year swap	5.31%	4.50%
10 year Govt	5.18%	4.72%

Nil pois

Which literally means zero... which is what happened overnight, and what my wallet will likely look like after my annual 'donation' to the racing industry! If you want a tip for the 'race that stops 2-nations,' go with number 9... it's my football shirt number, and sounds like as good a strategy for picking the winner as any other! Otherwise go with Vauban... because that is what my AI bot told me!

But it won't just be kicking off at 5:00pm this afternoon NZ-standard time, because we have the RBA at 4:30. We suspect that with Governor Michele Bullock hosting her second meeting, and with Australian house prices up 7.0% this year, she will pull the trigger and hike the cash rate 25bp which, coincidentally, was what the 'Shadow Board' recommended

yesterday.

Overnight, bond prices gave up some of their recent gains, which saw the 2 and 10-year yields firm 7bps and 9bps to yield 4.90% and 4.65% respectively. But against this, the USD-index flatlined, which saw the NZD and AUD weaken slightly. Equity and commodity markets were quiet, although there was some action in the energy sector with oil prices firming 1.0% on yesterday's Saudi announcement, while US gas prices fell -7.0% due to increased gas production, and an abundance of gas in storage.

The BoJ likes the status quo!

The BoJ minutes from their September meeting highlighted that "Sustainable and stable achievement of the price stability target, accompanied by wage increases, had not yet come in sight in Japan, and the central bank needed to patiently continue with monetary easing under yield curve control." Most members agreed there was no need to take additional steps on the central banks YCC operations as long-term rates were relatively stable. BoJ Governor, Ueda, also gave a speech announcing, "There is uncertainty on whether Japan will see a positive cycle of wage and inflation, but we will continue our bond buying. Even if long-term rates come under upward pressure, don't expect 10-year JGB yield to sharply exceed 1.0%."

Looking at the 2nd tier releases over the last 24-hours, German factory orders unexpectedly firmed 0.2% in September

following August's downwardly revised -1.9%, UK construction PMIs firmed from 45.0 to 45.6, Australian job ads index fell -3.0% in October following September's -0.5% decline as the index reached its lowest level since January 2022, and finally, NZ commodity prices firmed 2.9% from last month's 1.4%.

The chit-chat corner

ECB President, Christine Lagarde, confirmed, "We are determined to bring inflation down to 2.0% and, according to our projections, we will get there in 2025. Our mandate is to ensure price stability, and this is the best contribution we can make to social peace and to society, to the most vulnerable of its members in particular."

Goldman Sachs chief economist, Jan Hatzius, confirmed Friday's job number was "broadly weaker than what we expected but I don't think it was weak in a very concerning way. It was a softer report that I think underscores the message that the market took out of the FOMC meeting – that the Fed is very likely done hiking."

BoE Chief Economist, Pill, confirmed, "UK inflation remains too high. UK rate policy does remain restrictive. Interest rates in the future will probably be higher than in the pre-Covid era."

China's new finance minister, Lan Foan, confirmed, "The Finance ministry will steadily promote the resolution of local government debt risk and increase efforts to leverage the role of special bonds to booster the economy."



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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	70.60					CAD	0.8170	0.8880
NZD/USD	0.5975	0.0000	0.0001	0.0001	-0.0005	CHF	0.5366	0.5833
NZD/AUD	0.9198	-0.0009	-0.0025	-0.0046	-0.0073	CNY	4.3417	4.7204
NZD/JPY	89.52	-0.42	-1.32	-2.59	-5.01	DKK	4.1518	4.5124
NZD/EUR	0.5566	-0.0006	-0.0022	-0.0045	-0.0097	FJD	1.3296	1.4450
NZD/GBP	0.4830	-0.0001	-0.0002	-0.0005	-0.0014	HKD	4.6722	5.0780
						KRW	775.61	842.98
AU TWI	61.10					MYR	2.7682	3.0087
AUD/USD	0.6494	0.0006	0.0019	0.0033	0.0045	NOK	6.5945	7.1674
AUD/NZD	1.0867	0.0009	0.0029	0.0051	0.0080	SEK	6.5096	7.0750
AUD/JPY	97.31	-0.37	-1.17	-2.36	-4.70	SGD	0.8068	0.8769
AUD/EUR	0.6050	-0.0002	-0.0008	-0.0020	-0.0060	TWD	19.19	20.86
AUD/GBP	0.5249	0.0004	0.0012	0.0021	0.0028	ZAR	10.93	11.88
USD Index	105.13					EQUITIES		
EUR/USD	1.0733	0.0013	0.0044	0.0086	0.0179		Index	
USD/JPY	149.85	-0.71	-2.24	-4.35	-8.23	NZX50	11,261	
GBP/USD	1.2367	0.0002	0.0007	0.0012	0.0014	ASX200	6,997	
EUR/GBP	0.8676	0.0009	0.0030	0.0060	0.0131	Dow Jones	34,037	
						S&P 500	4,352	
INTEREST RATES			New Zealand		Australia	FTSE100	7,418	
			Mid		Mid	DAX 30	15,136	
30 day bank bills			5.58%		4.15%	Nikkei	32,708	
90 day bank bills			5.63%		4.35%	COMMODITIES		
1 year swap			5.64%		4.53%		USD	
2 year swap			5.31%		4.50%	Brent Crude	86.07	
3 year swap			5.09%		4.48%	Gold	1,981.67	
5 year swap			4.96%		4.74%	Silver	23.10	
10 year swap			5.08%		5.04%	Iron Ore	126.15	
3 year Govt bond			5.13%		4.27%	CRB Index	319.25	
5 year Govt bond			5.01%		4.37%		NZD	
10 year Govt bond			5.18%		4.72%	NZ Carbon	70.25	

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