

# Market Alert

Friday 10 November 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5927	0.0002
NZD/AUD	0.9262	-0.0045
NZD/JPY	89.60	-2.58
NZD/EUR	0.5542	-0.0044
NZD/GBP	0.4834	-0.0005
NZD/CNH	4.3251	-0.0561
AUD/USD	0.6398	0.0032
AUD/EUR	0.5981	-0.0020
EUR/USD	1.0694	0.0087
USD/CNH	7.2962	-0.0942
GBP/USD	1.2260	0.0014
EUR/GBP	0.8722	0.0059

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.66%	4.45%
2 year swap	5.26%	4.44%
10 year Govt	5.10%	4.62%

## 4.50% is lining up to be the line in the sand...

... but for psychological reasons rather than technical! As has been the focus since last week's FOMC, the world's most liquid financial product, the US 10-year treasury, has been the dominating diver of both direction and sentiment. Since last Wednesday the 10-year year yield has fallen from 4.93% to close the New York session yesterday at 4.49%, but looking at the price action over the last 24-hours it suggests market conviction may be starting to wane, considering the price action 'over-extended' last night ranging between 4.47% and 4.65%, with the 10-years currently trading 12bp higher at 4.61%. Make no mistake, these are exceptional moves!

There was also the 30-year auction where the US Treasury sold USD24bn of bonds at a high yield of 4.77%, against the WI (When-Issued) yield that investors were willing to accept was 4.72%. This means the 'tail' was 5.30% which, combined with the fact the bid-to-cover ratio was below the 6-month average, highlights that this particular auction was poorly received by investors and contributed to the bounce higher. Breaking it down, US yields have firmed 3bp in the 5-years, 12bp in the 10-years, and 12bp in 30-years, which means we should see some form of correction in the NZ and AU markets today. These higher yields contributed to selling pressure in US equity markets, which are closing -0.5% lower, although European bourses had a positive session rallying 0.5%. Commodity markets firmed, driven by 1.0% gains in oil, while currency markets were range-bound.

Breaking news... China's largest bank has been hit by ransomware attack that may have disrupted the Treasury market impacting their ability to settle bond trades.

## Deflation is the word on the lips...

... of Chinese economic commentators after CPI declined -0.2% year on year following September's 0.0%, and expectation for a -0.1% drop. On a monthly basis, inflation dropped -0.1% breaking a three-month string of gains. PPIs also fell, -2.6% from year earlier to record 14 consecutive months of declines, but on a positive note, PPIs were

unchanged on the month. But despite these dour prints, CitiBank has increased its China's 2023 growth forecast from 4.7% to 5.3%, as "the Chinese economy has reached a cyclical trough," with its 2024 forecast unchanged at 4.6%.

In the US, initial claims fell to 217k against forecasts at 218k, while initial claims rose to a 7-week high at 1,834k. We also had a 'gaggle' of Fed speakers, (okay, I made that up) with Philly President Patrick Harker confirming he, "supported the steady interest rate stance at latest FOMC meeting and that the Fed will stay higher for longer, given there is no sign for near-term rate cuts. Now is a time to take stock of past rate hikes' impact. The next Fed rate choice could go either way depending on the data." Incoming St. Louis member Paese then suggested she is, "Not sure public expectations are aligned with the Fed's likely policy path," while Thomas Barkin added, "Whether more is needed from the Fed remains to be seen. We are making real progress on inflation, but the job isn't done, inflation remains too high."

Goldman Sachs say they are becoming more and more confident the US will avoid a recession, confirming. "We continue to see a limited recession risk and reaffirm our 15% US recession probability. We expect several tailwinds to global growth in 2024, including strong real household income growth, a smaller drag from monetary and fiscal tightening, a recovery in manufacturing activity, and an increased willingness of central banks to deliver insurance cuts if growth slows."



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# Daily Rates

Friday 10 November 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.90					CAD	0.8167	0.8816
NZD/USD	0.5927	0.0000	0.0002	0.0002	-0.0002	CHF	0.5335	0.5761
NZD/AUD	0.9262	-0.0008	-0.0023	-0.0045	-0.0073	CNY	4.3171	4.6602
NZD/JPY	89.60	-0.42	-1.31	-2.58	-4.96	DKK	4.1318	4.4602
NZD/EUR	0.5542	-0.0006	-0.0021	-0.0044	-0.0096	FJD	1.3271	1.4326
NZD/GBP	0.4834	-0.0001	-0.0002	-0.0005	-0.0014	HKD	4.6282	4.9960
						KRW	779.12	841.04
AU TWI	60.40					MYR	2.7798	3.0007
AUD/USD	0.6398	0.0006	0.0018	0.0032	0.0047	NOK	6.6192	7.1452
AUD/NZD	1.0789	0.0008	0.0026	0.0048	0.0078	SEK	6.4434	6.9552
AUD/JPY	96.70	-0.37	-1.17	-2.34	-4.65	SGD	0.8049	0.8688
AUD/EUR	0.5981	-0.0002	-0.0008	-0.0020	-0.0059	TWD	19.16	20.68
AUD/GBP	0.5218	0.0004	0.0011	0.0020	0.0025	ZAR	11.02	11.90
USD Index	105.62					<b>EQUITIES</b>		
EUR/USD	1.0694	0.0013	0.0044	0.0087	0.0182		<b>Index</b>	
USD/JPY	151.14	-0.71	-2.25	-4.39	-8.32	NZX50	11,198	
GBP/USD	1.2260	0.0002	0.0007	0.0014	0.0021	ASX200	7,015	
EUR/GBP	0.8722	0.0009	0.0030	0.0059	0.0125	Dow Jones	33,986	
						S&P 500	4,366	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,456	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,353	
30 day bank bills			5.63%		4.32%	Nikkei	32,646	
90 day bank bills			5.66%		4.45%	<b>COMMODITIES</b>		
1 year swap			5.60%		4.51%		<b>USD</b>	
2 year swap			5.26%		4.46%	Brent Crude	80.50	
3 year swap			5.02%		4.41%	Gold	1,963.13	
5 year swap			4.83%		4.61%	Silver	22.73	
10 year swap			4.91%		4.90%	Iron Ore	127.26	
3 year Govt bond			5.03%		4.23%	CRB Index	309.98	
5 year Govt bond			4.95%		4.29%		<b>NZD</b>	
10 year Govt bond			5.10%		4.62%	NZ Carbon	71.00	

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