

Market Alert

Wednesday 15 November 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6002	0.0001
NZD/AUD	0.9231	-0.0045
NZD/JPY	90.30	-2.59
NZD/EUR	0.5521	-0.0044
NZD/GBP	0.4804	-0.0005
NZD/CNH	4.3533	-0.0585
AUD/USD	0.6500	0.0032
AUD/EUR	0.5978	-0.0020
EUR/USD	1.0869	0.0088
USD/CNH	7.2532	-0.0986
GBP/USD	1.2493	0.0014
EUR/GBP	0.8699	0.0059

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.46%
2 year swap	5.32%	4.42%
10 year Govt	5.22%	4.75%

US CPI shunts markets

US CPI undershot expectations, with headline inflation printing 0.0% on the month, and 3.2% on the year, slightly below expectations for 0.1% and 3.3% respectively. Core inflation (ex-food and energy) came in at 0.2% m/m and 4.0% y/y versus predictions of 0.3% and 4.1% respectively. However, markets were clearly buoyed by the undershoot, reacting in an outsized way as markets expect the Fed to be done with hiking and now look towards cuts.

Leading into the CPI release, risk markets drifted lower, although in reality, they were trading water waiting for the action. However, after the print, the USD was aggressively sold off, driven by a 0.18% fall in the US 10 year Treasury yield as it fell below 4.50% to a 2 month

low at 4.46% at the time of writing. We expect to see a big follow through to our interest rate markets when they open later this morning. Risk markets loved the result, with the NZD and AUD both 100+ points higher against the USD to 0.5990 and 0.6495 respectively. The USD index had its worst day in a year, down 1.5% as the Euro gained 170 points, while the GBP climbed 210 points. Equities rallied 1.5-2.0%.

More timely data

Statistics NZ released its first set of monthly pricing data yesterday, which is part of a new series aiming to give more timely inflation data. Alongside the regular monthly food price information, we also now receive data for petrol and diesel, alcohol and tobacco, rents, airfares and accommodation.

Some of the highlights for October include a fall of -0.9% in food prices for the month, as well as falls in petrol (-1.1%), domestic airfares (-9.4%) and international airfares (-7.5%), but rises in rents (0.4%), diesel (1.6%), recreational accommodation (2.7%) and alcoholic beverages and tobacco (1.3%). On a weighted average basis this equates to a fall in prices of -0.47% in the month of October for this basket of goods and services, which are 45% of the headline CPI number. This compares with a rise of 0.55% the previous month, highlighting how volatile and seasonal this series can be.

New Zealand is only one of two countries in the OECD which does not have official monthly CPI data, so hopefully this is just the first step in getting to this target.

UK unemployment was steady at 4.2% in October, while the EU economy contracted -0.1% in the September quarter.

We'll believe it when we see it...

One former BoJ official has suggested the central bank will exit negative rates in April. It has had plenty of chances to do so, and with inflation (across all measures) running above target, why wait?

Former top BoJ economist, Hideo Hayakawa, said it would keep raising short-term borrowing costs next year on heightening prospects of sustained wage growth. He said the cash rate will rise to zero from -0.1% in April, when more data becomes available on next year's spring wage negotiations. The glacial pace of policy change in Japan has been viewed dimly by markets, with the USD/JPY climbing to a fresh YTD high before the US CPI release, touching 151.90, a few ticks shy of the October 2022 multi-decade high at 151.94.



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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	69.70					CAD	0.8228	0.8912
NZD/USD	0.6002	0.0000	0.0001	0.0001	-0.0006	CHF	0.5338	0.5782
NZD/AUD	0.9231	-0.0008	-0.0024	-0.0045	-0.0073	CNY	4.3513	4.7132
NZD/JPY	90.30	-0.45	-1.32	-2.59	-5.02	DKK	4.1182	4.4598
NZD/EUR	0.5521	-0.0007	-0.0022	-0.0044	-0.0099	FJD	1.3329	1.4435
NZD/GBP	0.4804	-0.0001	-0.0002	-0.0005	-0.0015	HKD	4.6853	5.0741
						KRW	783.24	848.22
AU TWI	60.30					MYR	2.8305	3.0654
AUD/USD	0.6500	0.0006	0.0018	0.0032	0.0039	NOK	6.5329	7.0749
AUD/NZD	1.0830	0.0009	0.0026	0.0049	0.0071	SEK	6.3577	6.8853
AUD/JPY	97.80	-0.40	-1.18	-2.35	-4.73	SGD	0.8097	0.8769
AUD/EUR	0.5978	-0.0002	-0.0008	-0.0020	-0.0060	TWD	19.27	20.87
AUD/GBP	0.5202	0.0004	0.0011	0.0019	0.0023	ZAR	10.95	11.86
USD Index	104.16					EQUITIES		
EUR/USD	1.0869	0.0014	0.0045	0.0088	0.0177		Index	
USD/JPY	150.45	-0.75	-2.23	-4.33	-8.27	NZX50	11,173	
GBP/USD	1.2493	0.0002	0.0008	0.0014	0.0014	ASX200	7,007	
EUR/GBP	0.8699	0.0009	0.0029	0.0059	0.0123	Dow Jones	34,818	
						S&P 500	4,490	
INTEREST RATES			New Zealand		Australia	FTSE100	7,440	
			Mid		Mid	DAX 30	15,614	
30 day bank bills			5.63%		4.33%	Nikkei	32,696	
90 day bank bills			5.67%		4.46%	COMMODITIES		
1 year swap			5.58%		4.53%		USD	
2 year swap			5.32%		4.44%	Brent Crude	82.17	
3 year swap			5.09%		4.39%	Gold	1,962.27	
5 year swap			4.90%		4.60%	Silver	23.06	
10 year swap			4.99%		4.87%	Iron Ore	128.34	
3 year Govt bond			5.11%		4.35%	CRB Index	315.03	
5 year Govt bond			5.07%		4.42%		NZD	
10 year Govt bond			5.22%		4.75%	NZ Carbon	70.20	

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