

Market Alert

Friday 17 November 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5987	0.0001
NZD/AUD	0.9242	-0.0043
NZD/JPY	90.13	-2.58
NZD/EUR	0.5514	-0.0044
NZD/GBP	0.4819	-0.0005
NZD/CNH	4.3389	-0.0577
AUD/USD	0.6477	0.0032
AUD/EUR	0.5964	-0.0019
EUR/USD	1.0857	0.0085
USD/CNH	7.2460	-0.0979
GBP/USD	1.2417	0.0014
EUR/GBP	0.8740	0.0058

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.44%
2 year swap	5.12%	4.34%
10 year Govt	5.07%	4.63%

The Fed friendly price action!

The overnight data releases were 'Fed' friendly, as has been the case throughout November, and yep, you guessed it, bond buying was the trade du' jour, sending yields lower.

Breaking the data releases down, the number of US citizens filing for unemployment benefits rose to 231k last week, its highest level since mid-August and above expectations at 220k, while continuing claims reached their highest level in almost 2-years, increasing to 1.865m, which was above forecasts at 1.847m. US import prices dropped by 0.8% in October following Septembers upwardly revised 0.4%, the NAHB housing index declined by 6 points to 34, and the Kansas City Fed's manufacturing index firmed to -3, improving from

Octobers -8. US industrial production fell -0.6% in October, the most in 4-months.

Signs of a slowing US economy prompted downward pressure on commodities, with the price of WTI and crude oil down a significant -5.5% and now trading at their lowest levels since July. Copper prices are also flashing bearish signals after the spread between the cash and the 3-month futures price widened to its widest level since the early 1990's in a sign of ample near-term supply.

The US Government has narrowly averted a shutdown, approving a stopgap funding bill and shifting the new deadline to early 2024.

These factors saw investors start to rebuild their bond holdings, driving yields down to recent lows - with the 2-year US yield 8bps lower at 4.84% while the 10-year yield fell 10bps to reach 4.44%. The domino effect saw renewed USD selling, which saw the EUR stage its best rally in a year, and its third biggest rally since 2016, to surge above the 1.0850 level. With commodities down, the commodity currencies failed to spark - the NZD/USD starting today a touch under 0.6000 and the AUD/USD near 0.6480.

After recently placing the US on negative watch, the rating agency Moody's also announced "*the US CPI data confirms that the rate hikes are over. We don't believe the bar is high for them to actually cut rates (although the) rate cuts probably won't be until mid-next year*".

The latest Australian jobs report showed

55k jobs were added but the bulk of the jobs (37.9k), were part-time, with only 17k full-time rolls added. The participation rate firmed from a revised 66.8% to 67.0%, resulting in a modest lift in the jobless rate to 3.72%, its highest since May 2022.

The great dictator

Useful talks between the world's mighty leaders: The 80-year-old US President Biden says he still thinks Chinese Communist Party Chairman Xi is a dictator, while China's Xi says he has no plans for Chinese military action against Taiwan in coming years... but would he tell us if he did?

Separately, Chinese house price data made for grim reading, showing further declines in house prices.



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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	0.8238	0.8911
NZD/USD	0.5987	0.0000	0.0001	0.0001	-0.0002	CHF	0.5318	0.5754
NZD/AUD	0.9242	-0.0008	-0.0024	-0.0043	-0.0070	CNY	4.3358	4.6900
NZD/JPY	90.13	-0.42	-1.31	-2.58	-4.95	DKK	4.1122	4.4495
NZD/EUR	0.5514	-0.0006	-0.0022	-0.0044	-0.0095	FJD	1.3442	1.4542
NZD/GBP	0.4819	-0.0001	-0.0002	-0.0005	-0.0014	HKD	4.6703	5.0526
						KRW	773.04	836.43
AU TWI	60.80					MYR	2.8049	3.0345
AUD/USD	0.6477	0.0006	0.0018	0.0032	0.0046	NOK	6.5422	7.0776
AUD/NZD	1.0816	0.0008	0.0026	0.0047	0.0074	SEK	6.3396	6.8596
AUD/JPY	97.49	-0.37	-1.17	-2.33	-4.63	SGD	0.8061	0.8721
AUD/EUR	0.5964	-0.0002	-0.0009	-0.0019	-0.0057	TWD	19.07	20.64
AUD/GBP	0.5213	0.0004	0.0011	0.0019	0.0026	ZAR	10.98	11.88
USD Index	104.31					EQUITIES		
EUR/USD	1.0857	0.0013	0.0043	0.0085	0.0179		Index	
USD/JPY	150.51	-0.71	-2.22	-4.32	-8.16	NZX50	11,231	
GBP/USD	1.2417	0.0002	0.0008	0.0014	0.0022	ASX200	7,058	
EUR/GBP	0.8740	0.0009	0.0029	0.0058	0.0123	Dow Jones	34,838	
						S&P 500	Access Denie	
INTEREST RATES			New Zealand		Australia	FTSE100	7,411	
			Mid		Mid	DAX 30	15,787	
30 day bank bills			5.61%		4.35%	Nikkei	33,424	
90 day bank bills			5.67%		4.44%	COMMODITIES		
1 year swap			5.52%		4.45%		USD	
2 year swap			5.12%		4.36%	Brent Crude	77.07	
3 year swap			4.89%		4.31%	Gold	1,983.88	
5 year swap			4.72%		4.52%	Silver	23.84	
10 year swap			4.83%		4.80%	Iron Ore	129.25	
3 year Govt bond			4.94%		4.22%	CRB Index	314.20	
5 year Govt bond			4.89%		4.29%		NZD	
10 year Govt bond			5.07%		4.63%	NZ Carbon	0.00	

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