

# Market Alert

Tuesday 05 December 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6151	-0.0001
NZD/AUD	0.9308	-0.0046
NZD/JPY	90.72	-2.59
NZD/EUR	0.5689	-0.0048
NZD/GBP	0.4879	-0.0006
NZD/CNH	4.4185	-0.0616
AUD/USD	0.6606	0.0030
AUD/EUR	0.6106	-0.0023
EUR/USD	1.0814	0.0086
USD/CNH	7.1542	-0.0987
GBP/USD	1.2606	0.0011
EUR/GBP	0.8578	0.0061

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.42%
2 year swap	5.16%	4.30%
10 year Govt	5.03%	4.53%

## It's the last RBA-day of 2024!

Over to you Ms. Bullock! Current market pricing has given the RBA a 12% chance of a 25bps hike today, which seems rather low given the Melbourne Institute's inflation gauge firmed from -0.1% to 0.3%, business inventories surged by 1.2%, housing financing spiked 5.6%, and the Governor's recent hawkishness. Maybe the Governor just wants everyone in Australia to have a happy Christmas, as compared to the RBNZ Governor, or maybe it's because Australian company Q3 operating profits fell -1.3% or because November job advertisements dropped -4.6%! For the record, there is no doubt the RBA is now data dependent, and they will most likely retain their tightening bias into 2024.

In New Zealand, the Q3 terms of trade fell -0.6% in Q3 as import prices fell -0.8% while export prices dropped -1.4%. Meanwhile, US factory orders plummeted -3.6% in October, the most since April 2020, while the German trade surplus widened to EUR17.8bn, against forecasts at EUR17.1bn.

We also had a few speakers out, including the ECB's Luis de Guindos, warning that while the inflation data *"was a positive surprise, central banks have to be cautious. The process of disinflation is strong, although we are seeing very big wage increases."* Colleague Mario Centeno then warned that too much tightening can be precipitous to the labour market as, *"Job destruction and the freezing of new hires are more synchronized in recessions than during upswings. It took three years to reach the pre-pandemic employment trend; it will require less time to reverse those historical gains."*

The overnight market concentrated on something we haven't seen in a while... a surging bitcoin market. Bitcoin prices are benefiting as rate cut bets fuel the cross-asset rally, surging past the USD42k level on its latest bull run. Interesting, while gold prices rallied above the 2,100 level, last night's price action saw some of those gains given up as it fell -2.25% while oil prices also eased. Equity markets are also lower this morning, as is the NZD/USD and AUD/USD after the USD firmed amid higher bond yields - with the US 2 and 10-year yields 10bps and 7bps higher yielding 4.66% and 4.29% respectively.

## The 2024 warnings are starting to build!

UBS has warned that interest rates will get tighter despite falling inflation. As perverse as it may seem, the rapid fall in CPI means real interest rates (real rates are interest rates minus the inflation rate) rise more rapidly.

BoJ policy board member, Asahi Noguchi, has warned against any change in policy, stating *"To achieve our 2% inflation target, we must see price rises backed by sustained wage increases. While annual spring wage negotiations this year achieved wage hikes unseen in 30 years, we've only just reached a stage where the possibility of achieving our target has come into sight."*

Morgan Stanley has warned equity markets will face stronger headwinds in the coming quarters due to weaker earnings as firms tighten their operations. This will likely persist into the new year, *"before a durable recovery takes hold."*

Saudi prince and energy minister, Abdulaziz bin Salman, announced, *"OPEC+ oil production cuts can continue past March if needed."*

Spotify shares jumped after the CEO announced they will cut 17% of its workforce.



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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	72.10					CAD	0.8332	0.8949
NZD/USD	0.6151	0.0001	0.0001	-0.0001	-0.0015	CHF	0.5372	0.5770
NZD/AUD	0.9308	-0.0009	-0.0024	-0.0046	-0.0084	CNY	4.3987	4.7215
NZD/JPY	90.72	-0.49	-1.30	-2.59	-5.03	DKK	4.2402	4.5538
NZD/EUR	0.5689	-0.0008	-0.0022	-0.0048	-0.0114	FJD	1.3528	1.4528
NZD/GBP	0.4879	-0.0001	-0.0002	-0.0006	-0.0019	HKD	4.8073	5.1629
						KRW	806.67	866.34
AU TWI	61.70					MYR	2.8633	3.0751
AUD/USD	0.6606	0.0008	0.0018	0.0030	0.0038	NOK	6.6812	7.1754
AUD/NZD	1.0734	0.0010	0.0026	0.0050	0.0079	SEK	6.4363	6.9124
AUD/JPY	97.40	-0.43	-1.15	-2.32	-4.60	SGD	0.8237	0.8846
AUD/EUR	0.6106	-0.0003	-0.0008	-0.0023	-0.0071	TWD	19.35	20.78
AUD/GBP	0.5240	0.0004	0.0011	0.0019	0.0025	ZAR	11.59	12.45
USD Index	103.79					<b>EQUITIES</b>		
EUR/USD	1.0814	0.0016	0.0043	0.0086	0.0185		<b>Index</b>	
USD/JPY	147.44	-0.82	-2.13	-4.21	-7.76	NZX50	11,368	
GBP/USD	1.2606	0.0004	0.0008	0.0011	0.0001	ASX200	7,125	
EUR/GBP	0.8578	0.0010	0.0028	0.0061	0.0140	Dow Jones	36,177	
						S&P 500	4,565	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,513	
			<b>Mid</b>		<b>Mid</b>	DAX 30	16,405	
30 day bank bills			5.58%		4.28%	Nikkei	33,231	
90 day bank bills			5.63%		4.37%	<b>COMMODITIES</b>		
1 year swap			5.57%		4.44%		<b>USD</b>	
2 year swap			5.16%		4.32%	Brent Crude	78.41	
3 year swap			4.90%		4.25%	Gold	2,022.63	
5 year swap			4.70%		4.46%	Silver	24.46	
10 year swap			4.77%		4.74%	Iron Ore	130.46	
3 year Govt bond			4.94%		4.04%	CRB Index	308.07	
5 year Govt bond			4.80%		4.11%		<b>NZD</b>	
10 year Govt bond			4.96%		4.45%	NZ Carbon	75.50	

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