

Market Alert

Wednesday 13 December 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6125	-0.0001
NZD/AUD	0.9344	-0.0049
NZD/JPY	89.20	-2.56
NZD/EUR	0.5677	-0.0048
NZD/GBP	0.4875	-0.0006
NZD/CNH	4.4069	-0.0537
AUD/USD	0.6551	0.0033
AUD/EUR	0.6070	-0.0020
EUR/USD	1.0788	0.0087
USD/CNH	7.1939	-0.0877
GBP/USD	1.2556	0.0013
EUR/GBP	0.8589	0.0058

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.41%
2 year swap	5.16%	4.16%
10 year Govt	4.98%	4.40%

Well ... that didn't go to plan!

For all the talk of rate cuts, the US inflation report didn't measure up to expectations of a flat reading, denting hopes that the Fed will lower interest rates soon after headline inflation ticked up 0.1% in November, while core accelerated from 0.2% to 0.3%. On a positive note, annual headline CPI eased from 3.2% to 3.1% while core flatlined at 4.0%. Looking at the detail, energy costs were the major contributor with lower oil and gas prices, although these gains were offset by higher shelter prices.

The mixed CPI release saw traders trim bets on their 2024 rate cut projections, although they are still somewhat optimistically pricing in the first cut in May. Treasury yields have eased a touch with the 2-year -1bp lower at 4.72%, while the

10-year has eased -3bps to 4.21%. Before we all get too carried away, the two most accurate 2023 bond forecasters have adjusted their call, predicting the current bond rally will soon run out of steam and forecasting the 10-year yield to close 2024 around the 4.50% level, while the third most accurate forecaster is suggesting 4.20% by the end of next year. To be fair, ahead of tomorrow morning's FOMC, the 6-December 10-year low at 4.12% appears to be holding.

Commodity markets came under concentrated selling pressure driven by oil markets, which fell -4.0% due to concerns surrounding abundant supply and weakening demand. Interestingly, Fitch analysts have raised their 2024 oil price forecasts to USD80 per barrel from USD75. Finally, the USD-index weakened slightly back below the 104.00 level although the NZD/USD and AUD/USD remain broadly unchanged.

Breaking the other releases down

The US NFIB small business index fell for a fourth consecutive month to 90.6 in November, the German ZEW economic sentiment index reached its highest level since March firming to 12.8 in December against forecasts at 8.8, while Japanese PPI read at 0.2% in November and 0.3% on the year.

In New Zealand, electronic card transactions, which cover about 68.0% of core retail sales, rose by 1.6% in November following the two prior months

of declines, while net annual immigration hit another record high in October with 128,920 arrivals. Unfortunately, a record 44,500 New Zealanders departed over the last 12-months, with Australia being the most favoured destination. And speaking of Australia, November business confidence fell from -2 to -9, although consumer sentiment reached an 8-month high at 2.7%.

And the best of the rest

RBA Governor Michelle Bullock announced, "I don't think we are falling behind in inflation fight. We are taking a cautious approach and continuing to watch the data."

The RBNZ has announced the annual re-weighting of the NZD Trade-Weighted Index (TWI), which will take effect from today. There are 17 currencies included within the TWI basket with the weightings calculated using a full bilateral trade-weighted methodology. Long-story short, the CNY and EUR are down a bit, and the USD and AUD are up a bit!

This will keep Kim Jong Un in haircuts for the foreseeable future ... North Korean state-sponsored hackers have stolen crypto worth an estimated USD3bn over the last 6-years.



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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	71.60					CAD	0.8329	0.8913
NZD/USD	0.6125	0.0001	0.0002	-0.0001	-0.0012	CHF	0.5365	0.5740
NZD/AUD	0.9344	-0.0010	-0.0024	-0.0049	-0.0090	CNY	4.3943	4.7022
NZD/JPY	89.20	-0.48	-1.27	-2.56	-4.92	DKK	4.2327	4.5271
NZD/EUR	0.5677	-0.0008	-0.0021	-0.0048	-0.0112	FJD	1.3512	1.4452
NZD/GBP	0.4875	-0.0001	-0.0002	-0.0006	-0.0019	HKD	4.7826	5.1153
						KRW	804.42	860.37
AU TWI	61.30					MYR	2.8677	3.0672
AUD/USD	0.6551	0.0008	0.0018	0.0033	0.0048	NOK	6.7253	7.1930
AUD/NZD	1.0695	0.0010	0.0026	0.0051	0.0090	SEK	6.4060	6.8516
AUD/JPY	95.41	-0.42	-1.12	-2.25	-4.41	SGD	0.8219	0.8791
AUD/EUR	0.6070	-0.0002	-0.0008	-0.0020	-0.0063	TWD	19.30	20.64
AUD/GBP	0.5215	0.0004	0.0011	0.0020	0.0029	ZAR	11.61	12.41
USD Index	103.90					EQUITIES		
EUR/USD	1.0788	0.0016	0.0041	0.0087	0.0186		Index	
USD/JPY	145.62	-0.81	-2.12	-4.14	-7.74	NZX50	11,383	
GBP/USD	1.2556	0.0004	0.0008	0.0013	0.0018	ASX200	7,235	
EUR/GBP	0.8589	0.0010	0.0027	0.0058	0.0133	Dow Jones	36,519	
						S&P 500	4,630	
INTEREST RATES			New Zealand		Australia	FTSE100	7,543	
			Mid		Mid	DAX 30	16,792	
30 day bank bills			5.61%		4.35%	Nikkei	32,844	
90 day bank bills			5.67%		4.41%	COMMODITIES		
1 year swap			5.54%		4.31%		USD	
2 year swap			5.16%		4.18%	Brent Crude	73.04	
3 year swap			4.90%		4.10%	Gold	1,978.89	
5 year swap			4.67%		4.30%	Silver	22.71	
10 year swap			4.71%		4.55%	Iron Ore	135.16	
3 year Govt bond			4.97%		3.99%	CRB Index	298.26	
5 year Govt bond			4.86%		4.05%		NZD	
10 year Govt bond			4.98%		4.40%	NZ Carbon	71.90	

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