

Market Alert

Monday 18 December 2023

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6206 | -0.0001 |
| NZD/AUD | 0.9265 | -0.0048 |
| NZD/JPY | 88.23 | -2.50 |
| NZD/EUR | 0.5656 | -0.0046 |
| NZD/GBP | 0.4894 | -0.0005 |
| NZD/CNH | 4.4150 | -0.0552 |
| AUD/USD | 0.6696 | 0.0031 |
| AUD/EUR | 0.6145 | -0.0020 |
| EUR/USD | 1.0894 | 0.0085 |
| USD/CNH | 7.1345 | -0.0874 |
| GBP/USD | 1.2675 | 0.0008 |
| EUR/GBP | 0.8591 | 0.0059 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 5.50% | 4.35% |
| 90 day bills | 5.62% | 4.35% |
| 2 year swap | 4.81% | 4.02% |
| 10 year Govt | 4.57% | 4.14% |

It was the week before Christmas...

... and all was quiet in financial markets ... until the central bankers started talking and investors reverted from the notion that interest rates will have to stay "higher for longer."

US S&P composite PMIs rose for the third straight month to reach their highest level in 5 months at 51.0. Service sector increases propelled the growth, while manufacturers faced a further drop in new orders amid decreasing production. The manufacturing contraction was further emphasised by the contraction in the NY Empire manufacturing index which shrank to its lowest level in 4 months, falling to -14.5 against November's 9.1 and at forecasts at 2.0.

In the Eurozone, hourly labour costs surged 5.3% in Q3, up from Q2's 4.5%

increase, with wages and salaries gaining 5.3% while the non-wage component advanced 5.1%. Meanwhile, the UK S&P composite PMIs rose to 51.7 in December from 50.7 in November, surpassing the market consensus of 50.9.

Finally, Chinese industrial production advanced by 6.6%, ahead of forecasts at 5.6%, in what was the index's fastest pace of growth since February 2022, boosted by increases in mining, manufacturing, and utilities.

"When shall we three meet again? In thunder, lightning, or in rain?"

And right on cue, we had 3 Fed speakers over the weekend! New York Fed President John Williams announced, "If we get the progress I'm hoping to see, it will be natural to cut rates. We're focused on whether interest rates are in the right place. We aren't really talking about rate cuts right now, but the base case is good, inflation is down. The view of the committee is a gradual removal of policy easing over the next 3 years (although) the market reaction has gone further than our predictions. It's premature to be even thinking about March cuts. Right now, we're seeing everything around QT and balance sheets working as intended. (We're) not ready to say when balance sheet wind down stops." Atlanta President Raphael Bostic suggested the Fed could begin reducing interest rates "sometime in the third quarter" and while Chicago Fed President Austin Goolsbee did not rule out the possibility of the Federal Reserve cutting rates in March,

he does expect rates to be lower next year. He also stated, "It's important to be aware that historically when the unemployment rate starts going up, it doesn't just gradually drift up, it tends to go up rapidly."

On the other side of the pond, and without a reference to Macbeth, Bundesbank and ECB President Joachim Nagel confirmed that while, "The German inflation slowdown is good news, it's too early to consider ECB rate cuts."

The final 'week ahead' of 2023!

On the last 'working' week of 2023, the main focus will be on US wages and expenditure with personal income and the PCE price index, alongside the final reading of Q3 GDP growth, CB consumer confidence, and durable goods orders. Next up will be the BoJ final central bank meeting of 2023, followed by their inflation and foreign trade updates, the UK will provide their latest inflation and retail sales reports, while the focus in Germany will be on the latest Ifo Business Climate Index, GfK consumer confidence, and producer inflation figures. We also have the minutes from the RBA's latest meeting, Australian credit data, and the New Zealand trade balance.



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Daily Rates

Monday 18 December 2023

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|--------------|--------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 71.60 | | | | | CAD | 0.8293 | 0.8963 |
| NZD/USD | 0.6206 | 0.0001 | 0.0001 | -0.0001 | -0.0013 | CHF | 0.5400 | 0.5825 |
| NZD/AUD | 0.9265 | -0.0009 | -0.0024 | -0.0048 | -0.0082 | CNY | 4.4222 | 4.7690 |
| NZD/JPY | 88.23 | -0.45 | -1.26 | -2.50 | -4.67 | DKK | 4.2454 | 4.5806 |
| NZD/EUR | 0.5656 | -0.0008 | -0.0022 | -0.0046 | -0.0109 | FJD | 1.3524 | 1.4591 |
| NZD/GBP | 0.4894 | -0.0001 | -0.0002 | -0.0005 | -0.0015 | HKD | 4.8422 | 5.2246 |
| | | | | | | KRW | 807.03 | 870.75 |
| AU TWI | 61.70 | | | | | MYR | 2.8970 | 3.1257 |
| AUD/USD | 0.6696 | 0.0007 | 0.0018 | 0.0031 | 0.0043 | NOK | 6.4835 | 6.9954 |
| AUD/NZD | 1.0783 | 0.0010 | 0.0027 | 0.0050 | 0.0080 | SEK | 6.3636 | 6.8660 |
| AUD/JPY | 95.28 | -0.40 | -1.12 | -2.23 | -4.25 | SGD | 0.8266 | 0.8918 |
| AUD/EUR | 0.6145 | -0.0002 | -0.0008 | -0.0020 | -0.0065 | TWD | 19.45 | 20.99 |
| AUD/GBP | 0.5280 | 0.0004 | 0.0011 | 0.0021 | 0.0030 | ZAR | 11.38 | 12.28 |
| USD Index | 102.59 | | | | | EQUITIES | | |
| EUR/USD | 1.0894 | 0.0015 | 0.0043 | 0.0085 | 0.0181 | | Index | |
| USD/JPY | 142.15 | -0.75 | -2.06 | -3.99 | -7.23 | NZX50 | 11,550 | |
| GBP/USD | 1.2675 | 0.0003 | 0.0007 | 0.0008 | 0.0009 | ASX200 | 7,443 | |
| EUR/GBP | 0.8591 | 0.0009 | 0.0028 | 0.0059 | 0.0125 | Dow Jones | 37,305 | |
| | | | | | | S&P 500 | 4,719 | |
| INTEREST RATES | | | New Zealand | | Australia | FTSE100 | 7,576 | |
| | | | Mid | | Mid | DAX 30 | 16,751 | |
| 30 day bank bills | | | 5.58% | | 2.29% | Nikkei | 32,971 | |
| 90 day bank bills | | | 5.62% | | 4.35% | COMMODITIES | | |
| 1 year swap | | | 5.33% | | 4.21% | | USD | |
| 2 year swap | | | 4.81% | | 4.02% | Brent Crude | 76.55 | |
| 3 year swap | | | 4.53% | | 3.92% | Gold | 2,018.19 | |
| 5 year swap | | | 4.32% | | 4.10% | Silver | 23.83 | |
| 10 year swap | | | 4.39% | | 4.34% | Iron Ore | 135.08 | |
| 3 year Govt bond | | | 4.60% | | 3.79% | CRB Index | 302.20 | |
| 5 year Govt bond | | | 4.43% | | 3.83% | | NZD | |
| 10 year Govt bond | | | 4.57% | | 4.14% | NZ Carbon | 71.75 | |

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