

# Market Alert

Wednesday 20 December 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6269	-0.0002
NZD/AUD	0.9271	-0.0048
NZD/JPY	90.18	-2.55
NZD/EUR	0.5713	-0.0046
NZD/GBP	0.4921	-0.0006
NZD/CNH	4.4672	-0.0560
AUD/USD	0.6762	0.0032
AUD/EUR	0.6161	-0.0019
EUR/USD	1.0972	0.0082
USD/CNH	7.1243	-0.0869
GBP/USD	1.2733	0.0004
EUR/GBP	0.8614	0.0060

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.63%	4.37%
2 year swap	4.84%	4.01%
10 year Govt	4.53%	4.11%

## Central bankers remain busy up until Christmas!

Once upon a time, the BoJ actually raised interest rates on Boxing Day, so I guess we should be thankful they held their meeting before the Christmas break this year ... although the result was just as impactful! As was expected, the BoJ maintained their key short-term interest rate at -0.10% and that of 10-year bond yield around 0.00% in a unanimous vote. The central bank also left its upper band on the 10-year JGB around 1.00% although, incredibly, the committee reiterated that it would not hesitate to take additional easing measures if required, while BoJ Governor, Kazuo Ueda, warned wage increases have lagged behind price rises, and that the target level for inflation may not be sustainable. The bearish' implications

of the statement, and those comments, saw the JPY dumped by traders as USD/JPY firmed from 142.60 to 143.85 while NZD/JPY surged from 88.80 to 90.20!

The minutes from the RBAs December meeting, where they left rates unchanged, highlighted that, *"The Board had considered whether to raise rates by 25bp or hold steady. The case for steady rates was the stronger one at this meeting. The Board saw 'encouraging signs' of progress on inflation, but whether further tightening would be required would be decided by the data and an assessment of the risks. The Board saw value in waiting for more data to assess the balance of risks. Consumption growth was quite weak with many households facing a painful squeeze on finances, with inflation above several other countries. The Board noted RBA staff had forecast inflation returning to the top of its band by the end 2025, rather than the midpoint."*

The central bank of Hungary cut its key base rate by 75 bp to 10.75%.

## Of the rest ...

... US housing starts unexpectedly soared 14.8% in November to 1.56m, its highest level in 6-months, while Canadian inflation printed remained unchanged at 3.1%, which was above market expectations of 2.9%.

Fed Atlanta President, Raphael Bostic, confirmed that there is *"still a ways to go on inflation even though Fed has made tremendous progress. I expect inflation to continue to come down slowly and unevenly*

*with tight labour markets. Policy will need to be resolute; the Fed is not going to jump at the first data point. There is not going to be any urgency for the Fed to back away from its restrictive stance."*

Apart from the move against the JPY, the USD spent last night's session in reverse, as the index fell -0.8% to below the 102.0 level with the NZD being the biggest gainer followed by the AUD. Equity markets also had a positive session, although bond markets were stable.

## The New Zealand corner!

The overnight GDT auction saw the index firm 2.3%. The biggest gain came from butter, which rose an incredible 9.9%, while cheddar firmed 6.9%. Of the staples, WMP rose 2.9% while skim eased -1.3%. There were also further positives with business confidence improving for the 8th consecutive month to its highest print since March 2015 firming from 30.8 to 33.2 while, or the first time in 18-months, more New Zealanders expect house prices to increase than decrease ... yah!

Also today, Finance Minister, Nicolla Willis, will release the Coalition's mini budget, and considering the current the economic environment, it is good to see the local banks start to bring forward their rate cut forecasts.

Congratulations to Black Cap Daryl Mitchell after signing for IPL side the Super Kings for NZD2.7m ... that's not a bad pay cheque for a few weeks work each year!



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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	71.90					CAD	0.8362	0.9023
NZD/USD	0.6271	0.0001	0.0001	-0.0002	-0.0012	CHF	0.5399	0.5825
NZD/AUD	0.9273	-0.0010	-0.0024	-0.0048	-0.0080	CNY	4.4624	4.8125
NZD/JPY	90.20	-0.50	-1.30	-2.55	-4.80	DKK	4.2594	4.5944
NZD/EUR	0.5714	-0.0008	-0.0022	-0.0046	-0.0105	FJD	1.3619	1.4690
NZD/GBP	0.4924	-0.0001	-0.0002	-0.0006	-0.0014	HKD	4.8893	5.2738
						KRW	815.68	879.82
AU TWI	62.10					MYR	2.9333	3.1639
AUD/USD	0.6762	0.0007	0.0019	0.0032	0.0044	NOK	6.4400	6.9465
AUD/NZD	1.0783	0.0010	0.0027	0.0052	0.0086	SEK	6.3732	6.8743
AUD/JPY	97.26	-0.42	-1.15	-2.27	-4.40	SGD	0.8325	0.8980
AUD/EUR	0.6161	-0.0002	-0.0008	-0.0019	-0.0063	TWD	19.62	21.16
AUD/GBP	0.5309	0.0004	0.0011	0.0021	0.0030	ZAR	11.49	12.39
USD Index	102.19					<b>EQUITIES</b>		
EUR/USD	1.0972	0.0015	0.0042	0.0082	0.0180		<b>Index</b>	
USD/JPY	143.80	-0.77	-2.08	-4.01	-7.36	NZX50	11,617	
GBP/USD	1.2733	0.0003	0.0006	0.0004	0.0001	ASX200	7,489	
EUR/GBP	0.8614	0.0010	0.0028	0.0060	0.0134	Dow Jones	37,488	
						S&P 500	4,758	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,638	
			<b>Mid</b>		<b>Mid</b>	DAX 30	16,744	
30 day bank bills			5.58%		4.31%	Nikkei	33,219	
90 day bank bills			5.63%		4.37%	<b>COMMODITIES</b>		
1 year swap			5.38%		4.21%		<b>USD</b>	
2 year swap			4.84%		4.01%	Brent Crude	79.03	
3 year swap			4.54%		3.90%	Gold	2,037.89	
5 year swap			4.31%		4.07%	Silver	24.04	
10 year swap			4.33%		4.32%	Iron Ore	134.61	
3 year Govt bond			4.60%		3.77%	CRB Index	303.29	
5 year Govt bond			4.42%		3.80%		<b>NZD</b>	
10 year Govt bond			4.53%		4.11%	NZ Carbon	69.25	

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