

Market Alert

Thursday 21 December 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6283	-0.0003
NZD/AUD	0.9288	-0.0049
NZD/JPY	90.37	-2.60
NZD/EUR	0.5734	-0.0046
NZD/GBP	0.4960	-0.0006
NZD/CNH	4.4917	-0.0578
AUD/USD	0.6765	0.0032
AUD/EUR	0.6172	-0.0019
EUR/USD	1.0959	0.0083
USD/CNH	7.1476	-0.0890
GBP/USD	1.2666	0.0009
EUR/GBP	0.8651	0.0058

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.63%	4.37%
2 year swap	4.79%	3.96%
10 year Govt	4.49%	4.05%

It was a quiet Christmas session...

... although there were some noticeable moves. The better-than-expected UK inflation print, at 3.9% vs. the expected 4.4%, saw global bond yields take another step lower, with the US 2-year falling -5bps to 4.38% while the 10-year eased back -4bps to be at 3.88%. Undoubtedly, this will see New Zealand swap rates open a tad lower this morning. Interestingly, the lower yields didn't impact the US-dollar, which is continuing to trade just below the 102.00 level, while the NZD and AUD both locked in incremental gains. I suspect this will likely be the trend in Q1 24! Equity markets were flat, while commodity prices were slightly lower.

Philly Fed President, Patrick T. Harker, announced, "The job on controlling inflation is not done. don't need to raise rates anymore,

although the soft landing process will likely be bumpy. The Fed won't cut rates right away."

ECB Council member, Klaas Knot, warned, "I would be in no hurry to cut interest rates," adding "although it's quite unlikely, I wouldn't categorically rule out further interest-rate hikes just yet. The market's pricing for rate cuts early next year is an upside risk. Markets always tend to be optimistic year-end, often followed by a hangover in January." To be honest, my hangovers usually start on Boxing Day!

Most of the US overnight data releases were 2nd tier, but the European releases were top draw, so let's start there ... UK inflation slowed to lowest level since September 2021 after it eased from 4.6% to 3.9% in November against forecasts at 4.4%. Meanwhile German GfK consumer confidence remains deeply entrenched in contractionary territory, although it actually firmed from -27.6 to -25.1 against expectations for a -27.0 print. In the other headlines, Japan's trade deficit decreased sharply to JPY776.94bn in November after exports fell -0.2% while imports tumbled -11.9%, while the US releases saw the Q3 current account deficit compressed to its lowest level since Q2 21 at USD200.3bn while US home sales firmed to 0.8% to a seasonally adjusted annualized rate of 3.8mn units in November.

In case you didn't know, "New Zealand is grappling with a toxic trio of high and sticky inflation, high interest rates, and reduced economic output" according to our Finance Minister, Nicola Willis, and

looking at the HYEPU update, it's all about the deficits as sluggish growth suggests we will have sizeable deficits for longer. RBNZ Governor Adrian Orr then announced, "Interest rates continue to constrain spending. The RBNZ remains wary of inflationary surprises. There's still a long way to go, particularly with the level of core inflation, or homegrown inflation, still remaining too high." Interestingly, he also added, "Employment data will weigh into our decision's" which is at odds with his new mandate! Meanwhile, NZ consumer confidence firmed from 91.1 to 93.1 in December. This marks the index's highest reading since January 2022, as inflation expectations dropped from 4.6% to 3.9% for its first sub-4.0% print since October 2020.

Finally, just to bring a little Christmas cheer ...

... I was going to mention that a 103-year-old artificial Christmas tree, with 25 branches, 12 berries and 6 small candle holders sold for GBP3,411, which means there is only another 75-years to go for me to get my money back on my tree! But then I heard that Donald Trump has been barred from Colorado's 2024 presidential primary ballot ... which made me laugh. I suspect an appeal to the Supreme Court will overturn the ruling, but let's just pause and enjoy the moment!



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Thursday 21 December 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.30					CAD	0.8366	0.9009
NZD/USD	0.6285	0.0001	0.0001	-0.0003	-0.0016	CHF	0.5412	0.5829
NZD/AUD	0.9290	-0.0009	-0.0024	-0.0049	-0.0082	CNY	4.4842	4.8282
NZD/JPY	90.39	-0.48	-1.30	-2.60	-4.79	DKK	4.2740	4.6019
NZD/EUR	0.5735	-0.0007	-0.0021	-0.0046	-0.0106	FJD	1.3644	1.4691
NZD/GBP	0.4962	-0.0001	-0.0002	-0.0006	-0.0021	HKD	4.9049	5.2812
						KRW	816.56	879.21
AU TWI	62.50					MYR	2.9254	3.1498
AUD/USD	0.6765	0.0007	0.0019	0.0032	0.0043	NOK	6.4817	6.9790
AUD/NZD	1.0763	0.0010	0.0027	0.0054	0.0088	SEK	6.3723	6.8612
AUD/JPY	97.29	-0.41	-1.16	-2.31	-4.38	SGD	0.8356	0.8997
AUD/EUR	0.6172	-0.0002	-0.0006	-0.0019	-0.0064	TWD	19.65	21.16
AUD/GBP	0.5341	0.0004	0.0011	0.0021	0.0023	ZAR	11.47	12.35
USD Index	102.28					EQUITIES		
EUR/USD	1.0959	0.0014	0.0040	0.0083	0.0175		Index	
USD/JPY	143.83	-0.75	-2.10	-4.08	-7.30	NZX50	11,580	
GBP/USD	1.2666	0.0002	0.0006	0.0009	0.0016	ASX200	7,538	
EUR/GBP	0.8651	0.0009	0.0027	0.0058	0.0124	Dow Jones	37,600	
						S&P 500	4,775	
INTEREST RATES			New Zealand		Australia	FTSE100	7,716	
			Mid		Mid	DAX 30	16,733	
30 day bank bills			5.58%		4.31%	Nikkei	33,676	
90 day bank bills			5.63%		4.37%	COMMODITIES		
1 year swap			5.36%		4.18%		USD	
2 year swap			4.79%		3.96%	Brent Crude	79.33	
3 year swap			4.49%		3.85%	Gold	2,035.74	
5 year swap			4.26%		4.02%	Silver	24.30	
10 year swap			4.31%		4.27%	Iron Ore	134.65	
3 year Govt bond			4.52%		3.71%	CRB Index	305.38	
5 year Govt bond			4.36%		3.74%		NZD	
10 year Govt bond			4.49%		4.05%	NZ Carbon	68.75	

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED