

# Market Alert

Monday 22 January 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6115	-0.0003
NZD/AUD	0.9268	-0.0047
NZD/JPY	90.52	-2.51
NZD/EUR	0.5588	-0.0044
NZD/GBP	0.4813	-0.0006
NZD/CNH	4.4047	-0.0566
AUD/USD	0.6591	0.0030
AUD/EUR	0.6047	-0.0018
EUR/USD	1.0897	0.0078
USD/CNH	7.2015	-0.0884
GBP/USD	1.2700	0.0006
EUR/GBP	0.8578	0.0055

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.68%	4.39%
2 year swap	4.75%	4.10%
10 year Govt	4.81%	4.38%

## 'FED watch' .... it's the first time you will have seen this headline...

... this year, but I'm sure it won't be the last!

Once again, the focus will be on the tier one US releases, and what the ultimate implications will be for the Federal Reserve, as this week brings us Q4 GDP, the PCE deflator inflation print, alongside the personal income and spending releases, which should provide a fair indication of what we can expect from the FOMC at their meeting next week.

But if Friday's price action is anything to go by, we should be prepared to be overly optimistic after the University of Michigan's consumer sentiment index soared to 78.8 in January to record its highest print since July 2021, while further confidence was gleamed

by the perception that inflation has turned a corner with the 1-year outlook plummeting to 3.1% from November's 4.5%, while the 5-year outlook eased from 3.2% to 2.8%. This provided a boost to equity markets as the S&P 500 rallied to an all-time high, while the other 2 US bourses also firmed. Unsurprisingly, bonds yields weren't buying into this optimism being mixed on the day with the 2-years 3bps higher at 4.39% while the 10-years eased 1bps to 4.13%. Currency markets were fairly quiet, although the AUD continued to consolidate its recovery from its mid-week low while the NZD remained under pressure, which saw NZD/AUD ease down to the 0.9265 level. Oil prices also remain weak.

With the other headlines, UK retail sales tumbled -3.2% in December following November's revised 1.4% gain, while Japanese headline inflation rate fell to 2.6% in December from the previous months 2.8% print, while the core rate eased to 2.3% from 2.5%, which will dampen speculation of an end to the BOJ's 0% interest rate settings. It was equally bad in New Zealand after local factory activity shrunk for the 10th straight month to 43.1 in December, down from November's 46.7 print. Local migration also shows no signs of slowing down with a further 127.4k arriving in November, while Stats NZ also reported a further fall in the rate of food price inflation, although it still sits quite high at 4.8% in December.

## Speaking at an event entitled "How to Trust Economics" in Davos...

... ECB President, Christine Lagarde, launched a stinging attack on the economics profession accusing analysts of having "blind faith" in their models adding that economists constitute a "tribal clique" whose models largely discount the possibility of "exogenous shocks".

Meanwhile, famed economist, Mohamed El-Erian, suggested, "Markets are overpricing the pace and amount of Fed rate cuts as they are overlooking stubbornly high inflation."

## This week's ...

... excitement will occur at the back end of the week with US GDP, personal consumption, and durable goods orders due on Friday morning our time, while the PCE inflation print is due on Saturday. As an fyi, we also have manufacturing and services PMIs on Wednesday.

Beyond the US, we also have central bank decisions in the Eurozone, Japan, Canada, and China, with the PBoC reviewing their 1 and 5-year loan prime rates, while there are further manufacturing and services PMI releases from Australia, Japan, France, Eurozone, and the UK. There are also further Ifo business and GfK consumer releases from Germany while Australia provide an update on business confidence. Finally, it's the big one from New Zealand with Wednesday bringing the Q4 CPI release.



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

**Barrington**  
TREASURY SERVICES

**Barrington**  
ASSET CONSULTING



**BANCORP**

BANCORP CORPORATE FINANCE LIMITED

# Daily Rates

Monday 22 January 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.50					CAD	0.8212	0.8858
NZD/USD	0.6116	0.0000	0.0000	-0.0003	-0.0016	CHF	0.5310	0.5710
NZD/AUD	0.9270	-0.0011	-0.0026	-0.0047	-0.0077	CNY	4.3986	4.7410
NZD/JPY	90.60	-0.47	-1.28	-2.51	-4.80	DKK	4.1841	4.5098
NZD/EUR	0.5607	-0.0008	-0.0021	-0.0044	-0.0099	FJD	1.3466	1.4514
NZD/GBP	0.4815	-0.0002	-0.0003	-0.0006	-0.0015	HKD	4.7804	5.1525
						KRW	815.53	879.02
AU TWI	61.50					MYR	2.8832	3.1077
AUD/USD	0.6591	0.0006	0.0018	0.0030	0.0036	NOK	6.3983	6.8964
AUD/NZD	1.0777	0.0009	0.0029	0.0052	0.0080	SEK	6.3969	6.8948
AUD/JPY	97.72	-0.42	-1.12	-2.22	-4.45	SGD	0.8196	0.8834
AUD/EUR	0.6047	-0.0002	-0.0006	-0.0018	-0.0060	TWD	19.19	20.68
AUD/GBP	0.5188	0.0003	0.0011	0.0020	0.0021	ZAR	11.63	12.53
USD Index	103.24					<b>EQUITIES</b>		
EUR/USD	1.0897	0.0013	0.0040	0.0078	0.0165		<b>Index</b>	
USD/JPY	148.17	-0.78	-2.08	-4.02	-7.51	NZX50	11,666	
GBP/USD	1.2700	0.0002	0.0006	0.0006	0.0005	ASX200	7,421	
EUR/GBP	0.8578	0.0008	0.0027	0.0055	0.0121	Dow Jones	37,864	
						S&P 500	4,840	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,462	
			<b>Mid</b>		<b>Mid</b>	DAX 30	16,555	
30 day bank bills			5.58%		4.36%	Nikkei	35,963	
90 day bank bills			5.65%		4.39%	<b>COMMODITIES</b>		
1 year swap			5.35%		4.28%		<b>USD</b>	
2 year swap			4.77%		4.11%	Brent Crude	78.56	
3 year swap			4.50%		4.05%	Gold	2,029.32	
5 year swap			4.35%		4.26%	Silver	22.60	
10 year swap			4.50%		4.54%	Iron Ore	135.88	
3 year Govt bond			4.62%		3.91%	CRB Index	304.11	
5 year Govt bond			4.53%		4.00%		<b>NZD</b>	
10 year Govt bond			4.81%		4.39%	NZ Carbon	67.50	

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