

Market Alert

Tuesday 23 January 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6082	-0.0003
NZD/AUD	0.9268	-0.0048
NZD/JPY	90.10	-2.49
NZD/EUR	0.5588	-0.0043
NZD/GBP	0.4785	-0.0006
NZD/CNH	4.4114	-0.0531
AUD/USD	0.6571	0.0030
AUD/EUR	0.6036	-0.0016
EUR/USD	1.0885	0.0077
USD/CNH	7.1942	-0.0835
GBP/USD	1.2706	0.0006
EUR/GBP	0.8564	0.0056

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.68%	4.40%
2 year swap	4.73%	4.05%
10 year Govt	4.75%	4.32%

Summing it all up!

US equity exchanges advanced to record highs on solid corporate earnings and optimism of a soft economic landing ... so I guess we shouldn't be too surprised to learn that hedge funds produced combined gains worth USD218bn in 2023 ... after fees! This positivity contributed to lower yields, which saw the 10-year yield fall 4bps to the 4.11% level, while the Italian 10-year yield premium over the German 10-year on-the-run fell to 152bps, the narrowest spread in 2-years, due to the pending European cutting cycle and tighter Italian fiscal discipline. The NZD and AUD came under renewed selling pressure against the USD and on the crosses. Commodity markets were mixed although WTI crude futures rose 2.9% to USD75.35 per barrel as Red Sea supply disruptions and strong demand

supported the rally, while Russian energy firm Novatek halted operations at its Baltic Sea export terminal due to a fire reportedly caused by a drone attack.

Famed economist, Mohamed El-Erian, has doubled down on his inflation rhetoric suggesting, "*The so-called last mile is going to get a lot trickier. We're not going to have the tailwinds that we had, and we're going to have some headwinds.*"

At the peripheral, the US Conference Board leading index contracted -0.1% against expectations for a -0.3% fall, although it was the 21st consecutive decline. A Reuters poll suggests the BoE will leave interest rates unchanged at their next rate meeting, while Australia has stopped accepting applications for its golden visa program as part of a broader immigration overhaul.

The central bank corner.

Later today we have the BoJ interest rate announcement, and while we are expecting an unchanged verdict after Friday's weak CPI print, Japanese PM, Fumio Kishida, has warned, "*We are at a critical stage for escaping from deflation.*"

The PBoC stuck to the script yesterday leaving their 1 and 5-year Loan Prime Rates (LPR) unchanged at 3.45% and 4.20%, which was expected following last weeks unchanged verdict on the Medium-term Lending Facility (MLF). Despite the strong performance of US equity markets, Chinese markets are continuing to weaken with the Shanghai index a further -2.7% weaker this

morning as deflation and high youth unemployment continue to impact the economy while the spread between China's Ashares and their parallel listings in Hong Kong has widened to a 36% discount in the offshore market, and we haven't even mentioned the property market yet after BlackRock announced it is seeking to sell its office complex in Shanghai for about 30% less than what it purchased it for in 2018!

And then there were 2!

Ahead of tomorrow's New Hampshire primary, Florida Governor Ron DeSantis has admitted defeat and dropped out of the race for the Republican nomination. This leaves Nikki Haley as the last credible contender, although she is a long way back behind The Donald, which essentially means its going to be a repeat of 2020 election with, in my best boxing intro-voice, big Joe 'where-did-I-leave-my-pants' Biden in the blue corner against the challenger, weighing in a touch under the limit, Donald 'let's-make-America-great-again' Trump.

Interestingly, The Donald is contemplating imposing a 10% tariff on all imported goods, even though the American Forum think tank countered it would "*distort global trade, discourage economic activity, and have broad negative consequences for the U.S. economy,*" while Rabobank suggested it would "*structurally break the global system by hook or by crook, to basically reindustrialize the US in a neo-Hamiltonian manner.*"



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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	71.50					CAD	0.8190	0.8849
NZD/USD	0.6085	0.0000	0.0000	-0.0003	-0.0017	CHF	0.5285	0.5712
NZD/AUD	0.9270	-0.0010	-0.0026	-0.0048	-0.0079	CNY	4.3720	4.7236
NZD/JPY	90.12	-0.46	-1.27	-2.49	-4.80	DKK	4.1662	4.5012
NZD/EUR	0.5589	-0.0007	-0.0021	-0.0043	-0.0100	FJD	1.3591	1.4684
NZD/GBP	0.4788	-0.0001	-0.0003	-0.0006	-0.0017	HKD	4.7548	5.1371
						KRW	814.78	880.29
AU TWI	61.50					MYR	2.8731	3.1041
AUD/USD	0.6571	0.0007	0.0018	0.0030	0.0037	NOK	6.3854	6.8988
AUD/NZD	1.0800	0.0011	0.0029	0.0054	0.0081	SEK	6.3592	6.8704
AUD/JPY	97.33	-0.39	-1.10	-2.20	-4.41	SGD	0.8160	0.8816
AUD/EUR	0.6036	-0.0002	-0.0006	-0.0016	-0.0059	TWD	19.07	20.60
AUD/GBP	0.5170	0.0004	0.0012	0.0021	0.0024	ZAR	11.68	12.62
USD Index	103.32					EQUITIES		
EUR/USD	1.0885	0.0014	0.0039	0.0077	0.0169		Index	
USD/JPY	148.11	-0.76	-2.08	-4.03	-7.51	NZX50	11,685	
GBP/USD	1.2706	0.0002	0.0006	0.0006	0.0005	ASX200	7,477	
EUR/GBP	0.8564	0.0009	0.0027	0.0056	0.0124	Dow Jones	37,947	
						S&P 500	4,847	
INTEREST RATES			New Zealand		Australia	FTSE100	7,488	
			Mid		Mid	DAX 30	16,683	
30 day bank bills			5.58%		4.35%	Nikkei	36,547	
90 day bank bills			5.65%		4.40%	COMMODITIES		
1 year swap			5.34%		4.26%		USD	
2 year swap			4.75%		4.07%	Brent Crude	80.41	
3 year swap			4.47%		4.00%	Gold	2,020.49	
5 year swap			4.31%		4.19%	Silver	22.14	
10 year swap			4.44%		4.46%	Iron Ore	135.88	
3 year Govt bond			4.57%		3.88%	CRB Index	304.11	
5 year Govt bond			4.47%		3.96%		NZD	
10 year Govt bond			4.75%		4.34%	NZ Carbon	68.00	

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