

# Market Alert

Thursday 25 January 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6115	-0.0004
NZD/AUD	0.9282	-0.0049
NZD/JPY	90.18	-2.49
NZD/EUR	0.5615	-0.0045
NZD/GBP	0.4804	-0.0006
NZD/CNH	4.3785	-0.0578
AUD/USD	0.6588	0.0030
AUD/EUR	0.6048	-0.0017
EUR/USD	1.0892	0.0079
USD/CNH	7.1619	-0.0900
GBP/USD	1.2728	0.0005
EUR/GBP	0.8555	0.0058

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.69%	4.40%
2 year swap	4.76%	4.05%
10 year Govt	4.76%	4.30%

## Sticky is the word that you heard ... it's got groove, it's got meaning!

And the meaning of sticky is that it's going to take that bit longer to get inflation to a comfortable level. The good news? Inflation is subsiding after the CPI print came in at 0.5% in quarter-over-quarter and 4.7% year-over-year. These were bang in line with expectations generating our lowest annual inflation print in over 2-years. But the bad news? Non-tradeable inflation printed at a whopping 5.9% on the year and at 1.1% on the quarter as it remains extremely sticky. Significant gains were seen in the communication, health, and the goods and services sectors, while the food sector dropped sharply. This stickiness should weigh on those calling for a fast-track cutting cycle, but there is no doubt that the RBNZs November warning of

the possibility of a further rate hike H1 2024 is off the table.

Following on from the stimulus announced for the equity and bond markets, the Chinese authorities announced a further boost with the cutting of the Reserve Requirement Ratio (RRR) for all banks by 50bps to 10%, which will provide a 1 trillion yuan (USD139bn) boost in liquidity to support the economic recovery. This brings the RRR to its lowest level since March 2007 following the PBoCs 25bps cuts in March and September last year. The PBoC also announced they will lower the re-lending and re-discount interest rates by 25bps to support the rural and small business sectors.

The Bank of Canada maintained its target overnight cash rate at 5.0% for its fourth consecutive meeting, as was widely expected. The decision maintains borrowing costs at a 22-year high as the central bank remains concerned about the inflation pressures after inflation unexpectedly rose in December.

Looking at the other overnight headlines, US composite PMIs surged to 52.3 in January, a notable increase on December's 50.9 in what was the fastest rise in business activity since June 2023. Service sector activity expanded at its fastest rate in 7-months, while manufacturing firms experienced a small drop in output. It was a similar story in Australia where composite PMIs firmed to 48.1 from 46.9 to reach a 14-month high as manufacturing reached an 11-month high at 50.3 while services

improved from 47.0 to 47.9. Finally, Japanese composite PMIs firmed to 51.1 from the prior 50.0 with manufacturing firming from 47.9 to 48.0, while services jumped from 51.05 to 52.7.

In other news, Japan generated a much improved trade balance after exports surged 9.8% while imports plummeted -6.8%, while the UK factory orders declined by seven pips to -30 in January from Decembers -23.

Overall, the NZ inflation print and the further stimulus from the Chinese authorities, saw the NZD and AUD generate a (very) modest bid tone as the USD-index slipped back below its 200-day moving average. The US 10-year treasury yield firmed 4bps to 4.18%, while commodity prices were broadly firmed after WTI crude futures firmed above the USD75.00 level predominately driven by a larger-than-expected decline in US crude stockpiles. Finally, and who could have guessed this, equity markets continued their rally with the S&P and Nasdaq reaching new, record highs.

## The Trump corner.

Donald Trump defeated Nikki Haley to win the New Hampshire primary yesterday, but it was closer than projected at 54 - 43.

Meanwhile, Asias biggest cry-baby, Kim "Rocket Man" Jong-Un, is clearly unhappy that 'The Donald' is getting all the attention so, just to keep his name in the headlines, he fired off a few cruise missiles into the Yellow Sea yesterday.



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# Daily Rates

Thursday 25 January 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.30					CAD	0.8259	0.8898
NZD/USD	0.6117	0.0000	0.0000	-0.0004	-0.0017	CHF	0.5278	0.5685
NZD/AUD	0.9285	-0.0009	-0.0026	-0.0049	-0.0080	CNY	4.3876	4.7256
NZD/JPY	90.19	-0.43	-1.27	-2.49	-4.80	DKK	4.1860	4.5097
NZD/EUR	0.5616	-0.0007	-0.0021	-0.0045	-0.0102	FJD	1.3686	1.4745
NZD/GBP	0.4806	-0.0001	-0.0003	-0.0006	-0.0016	HKD	4.7810	5.1508
						KRW	813.99	876.96
AU TWI	61.40					MYR	2.8918	3.1155
AUD/USD	0.6588	0.0006	0.0018	0.0030	0.0037	NOK	6.3936	6.8881
AUD/NZD	1.0768	0.0010	0.0029	0.0054	0.0083	SEK	6.3772	6.8698
AUD/JPY	97.14	-0.37	-1.11	-2.18	-4.35	SGD	0.8186	0.8819
AUD/EUR	0.6048	-0.0002	-0.0006	-0.0017	-0.0060	TWD	19.14	20.62
AUD/GBP	0.5176	0.0004	0.0012	0.0021	0.0027	ZAR	11.56	12.45
USD Index	103.16					<b>EQUITIES</b>		
EUR/USD	1.0892	0.0013	0.0040	0.0079	0.0169		<b>Index</b>	
USD/JPY	147.44	-0.70	-2.06	-4.01	-7.43	NZX50	11,857	
GBP/USD	1.2728	0.0002	0.0006	0.0005	-0.0003	ASX200	7,519	
EUR/GBP	0.8555	0.0009	0.0027	0.0058	0.0128	Dow Jones	37,927	
						S&P 500	4,892	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,528	
			<b>Mid</b>		<b>Mid</b>	DAX 30	16,890	
30 day bank bills			5.58%		4.36%	Nikkei	36,226	
90 day bank bills			5.65%		4.40%	<b>COMMODITIES</b>		
1 year swap			5.35%		4.24%		<b>USD</b>	
2 year swap			4.78%		4.07%	Brent Crude	80.08	
3 year swap			4.49%		3.99%	Gold	2,013.87	
5 year swap			4.32%		4.20%	Silver	22.72	
10 year swap			4.46%		4.50%	Iron Ore	135.48	
3 year Govt bond			4.58%		3.84%	CRB Index	307.53	
5 year Govt bond			4.48%		3.92%		<b>NZD</b>	
10 year Govt bond			4.76%		4.33%	NZ Carbon	71.25	

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