

Market Alert

Friday 26 January 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6110	-0.0005
NZD/AUD	0.9285	-0.0050
NZD/JPY	90.33	-2.49
NZD/EUR	0.5616	-0.0046
NZD/GBP	0.4811	-0.0006
NZD/CNH	4.3785	-0.0597
AUD/USD	0.6579	0.0029
AUD/EUR	0.6069	-0.0018
EUR/USD	1.0836	0.0078
USD/CNH	7.1827	-0.0920
GBP/USD	1.2700	0.0004
EUR/GBP	0.8531	0.0059

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.70%	4.40%
2 year swap	4.80%	4.02%
10 year Govt	4.78%	4.33%

With today being an Australian holiday ...

... and Monday an Auckland holiday, I'm not expecting too much excitement in our time zone, but last night didn't disappoint after US Q4 GDP growth came in at 3.3% quarter-on-quarter annualised, well above expectations at 2.0%, as the economy's main growth engine, personal spending, rose at a 2.8% rate. Business investment, government spending, and housing also helped fuel the larger-than-expected advance, while the core PCE price index printed at 2.0% for the second quarter in a row suggesting the 'battle' with inflation has been won, although we will get confirmation of that with tonight's PCE deflator print.

The Federal Reserve has also withdrawn the 'get-out-jail-for-free' lending facility

to banks by raising the interest rate on their emergency Bank Term Funding Program by 50bps, even though the facility was due to expire on the 11th March. You may recall the facility was put in place as an emergency funding platform last March in response to the regional banking crisis that was spurred on by the collapse by SVB.

The ECB left their core benchmark rates unchanged over night, and they also left the statement unchanged with today's statement almost a verbatim copy of the December statement dropping their references to domestic price pressures being elevated and the temporary pick-up in inflation. In the press conference ECB President, Christine Lagarde, announced, "The consensus at the table is that it's premature to talk about rate cuts". When questioned, Ms. Lagarde also reaffirmed her remarks that borrowing costs could be lowered from the summer, though insisted officials aren't yet discussing such a step as, "We need to be further along in the disinflation process before we can be sufficiently confident that inflation will actually hit the target in a timely manner".

While the US GDP print and the ECB meeting took centre stage, the other releases saw US durable goods orders come in flat in December against expectations for a 1.5% gain, the Chicago Feds activity index fell to -0.15 in December, US weekly jobless claims rose more than expected to 214k, while the German Ifo business index fell for a second consecutive month to 85.2 in January from Decembers revised 86.3.

In other central bank news, the Turkish central bank raised its benchmark rate to 45.0% ... yes ... that is not a typo ... it is 45.0% and it was expected, the Norwegian central bank held maintained its prime lending rate at its 16-year high of 4.50%, while South Africa held their key rate at 8.25%.

As one would expect, equity markets responded to the positive GDP print with another positive session on the expectation of a 'soft landing' while bond yields also brought into the narrative trading marginally higher with the 2 and 10-years -7bps and -5bps lower at 4.31% and 4.13%. Currency markets continued to 'tread-water' with the NZD/USD and AUD/USD unchanged, while commodity markets were mixed although oil prices firmed 2.25%.

What are firms telling us about the inflation outlook?

The RBA, in its liaison programme with Australian businesses, discovered that, "Over the past 6-months, firms have generally expected their prices growth to continue to moderate, (although) firms have reported that large cost increases over recent years are still flowing through to some parts of the supply chain. Slower growth in demand and increased competition are expected to result in a further slowing in growth of firms' prices over coming quarters".

Finally, Australian PM 'Ants' Albanese announced, "fiscal policy should be supportive of our tax cuts which will be a tailwind for growth (and inflation), which will allow the economy to sustain higher interest rates".



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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	71.30					CAD	0.8245	0.8899
NZD/USD	0.6111	0.0000	-0.0001	-0.0005	-0.0021	CHF	0.5297	0.5704
NZD/AUD	0.9287	-0.0009	-0.0027	-0.0050	-0.0082	CNY	4.3813	4.7191
NZD/JPY	90.35	-0.42	-1.27	-2.49	-4.78	DKK	4.2021	4.5244
NZD/EUR	0.5617	-0.0007	-0.0022	-0.0046	-0.0108	FJD	1.3473	1.4507
NZD/GBP	0.4812	-0.0001	-0.0003	-0.0006	-0.0018	HKD	4.7766	5.1433
						KRW	816.14	878.78
AU TWI	61.30					MYR	2.8894	3.1112
AUD/USD	0.6579	0.0006	0.0018	0.0029	0.0034	NOK	6.3857	6.8759
AUD/NZD	1.0765	0.0010	0.0030	0.0055	0.0086	SEK	6.3861	6.8763
AUD/JPY	97.09	-0.36	-1.10	-2.18	-4.35	SGD	0.8192	0.8820
AUD/EUR	0.6069	-0.0002	-0.0006	-0.0018	-0.0064	TWD	19.14	20.61
AUD/GBP	0.5180	0.0004	0.0012	0.0021	0.0027	ZAR	11.55	12.43
USD Index	103.59					EQUITIES		
EUR/USD	1.0836	0.0013	0.0039	0.0078	0.0171		Index	
USD/JPY	147.80	-0.70	-2.09	-3.96	-7.35	NZX50	11,890	
GBP/USD	1.2700	0.0002	0.0006	0.0004	-0.0005	ASX200	7,555	
EUR/GBP	0.8531	0.0009	0.0027	0.0059	0.0134	Dow Jones	37,877	
						S&P 500	4,876	
INTEREST RATES			New Zealand		Australia	FTSE100	7,530	
			Mid		Mid	DAX 30	16,907	
30 day bank bills			5.59%		4.36%	Nikkei	36,236	
90 day bank bills			5.66%		4.40%	COMMODITIES		
1 year swap			5.36%		4.24%		USD	
2 year swap			4.82%		4.04%	Brent Crude	81.99	
3 year swap			4.55%		3.96%	Gold	2,015.49	
5 year swap			4.40%		4.17%	Silver	22.80	
10 year swap			4.53%		4.47%	Iron Ore	135.49	
3 year Govt bond			4.61%		3.85%	CRB Index	310.76	
5 year Govt bond			4.51%		3.94%		NZD	
10 year Govt bond			4.78%		4.35%	NZ Carbon	70.70	

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