

Market Alert

Tuesday 30 January 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6104	-0.0005
NZD/AUD	0.9260	-0.0050
NZD/JPY	90.11	-2.51
NZD/EUR	0.5646	-0.0048
NZD/GBP	0.4813	-0.0006
NZD/CNH	4.3896	-0.0574
AUD/USD	0.6590	0.0030
AUD/EUR	0.6094	-0.0019
EUR/USD	1.0812	0.0080
USD/CNH	7.1904	-0.0883
GBP/USD	1.2679	0.0005
EUR/GBP	0.8524	0.0059

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.70%	4.41%
2 year swap	4.76%	3.99%
10 year Govt	4.75%	4.30%

It was a great bank holiday weekend ... although things have taken a turn for the worse!

This week is setting up to be the defining week, in both a geo-political and a financial markets perspective.

Looking at the political side of things first, Sunday's drone attack on a US base in Jordan has been claimed by the Islamic Resistance group from Iraq, although it is commonly acknowledged that the group is backed by Iran. The attack saw 34 US personnel injured, and 3-killed, which marks the first deaths of US troops by enemy fire since the Israel-Hamas war began, with the very real threat of an escalation after various congressional lawmakers called on President Joe Biden to retaliate directly against Iran following the attack. The President has vowed to retaliate, although Iran has

called accusations of its involvement "baseless". On a positive note, negotiations to secure the return of the remaining Israeli hostages in exchange for a 45-day ceasefire have been described as constructive.

Looking at the markets, traders' attention this week will be predominately focused on Thursday morning's FOMC announcement, and while Friday nights positive PCE print, which saw inflation fall to 0.6% on the month and 2.6% on the year with the core at 0.2% and 2.9% respectively, will be viewed as a positive, there is no expectation the Fed will adjust their policy settings this week. This point has since received further support after former Richmond Fed President, Jeffrey Lacker, announced he, "Expects the Fed to be averse to cutting rates too soon. The Fed should avoid declaring victory on inflation as the Fed needs to reestablish credibility and re-anchor inflation expectations. I do not see inflation expectations coming down to be consistent with 2% inflation as wage growth is still not consistent with a 2% inflation rate".

In the Eurozone, ECB Governing Council member, Peter Kazimir, re-affirmed, "Acting hastily based on short-term surprises without having more clarity about the medium term would be risky. I am confident that the exact timing (of the rate cut), whether in April or June, is secondary to the decision's impact. The latter seems more probable, but as soon as it is warranted, we won't hesitate to act" while Luis de Guindos added, "We have seen good news on inflation recently, the ECB will cut interest rates when we are sure that inflation meets our 2.0% goal." Needless

to say, with spring approaching, French farming unions have threatened to block highways around Paris today, after government promises of aid fell short of expectations.

Looking beyond this week's Fed meeting, we also have US non-farm payrolls, JOLTS job openings, PMIs, wages, and the unemployment rate releases, while globally we have the BoE policy decision, and Q4 GDP from the Eurozone, France, and Germany. We also have inflation updates from Australia, France, Germany, and unemployment prints from Japan, and Germany. In NZ, this week's highlight will be this morning's speech by speech by RBNZ Chief Economist, Paul Conway, in which he will comment on our recent data releases.

Unsurprisingly ...

... equity markets have lost some of their momentum with the increase in geo-political risks, although they have still predominately printed in positive territory, which has helped to provide a sense of calm. US bond markets, and the USD-index saw some safe haven buying, although it was subdued, with 2 and 10-year yields just -4bp and -6bp lower at 4.33% and 4.10%, while the USD was 0.3% higher at the 103.50 level. The NZD/USD and AUD/USD were surprisingly quiet, trading near the 0.6100 and 0.6600 levels respectively. Commodity prices were mixed, with oil and energy products reversing Monday's gains, while gold prices continued to grind higher.



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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	0.8205	0.8862
NZD/USD	0.6106	0.0000	0.0000	-0.0005	-0.0017	CHF	0.5271	0.5694
NZD/AUD	0.9262	-0.0009	-0.0026	-0.0050	-0.0081	CNY	4.3821	4.7310
NZD/JPY	90.13	-0.40	-1.25	-2.51	-4.73	DKK	4.2082	4.5432
NZD/EUR	0.5647	-0.0007	-0.0022	-0.0048	-0.0107	FJD	1.3454	1.4525
NZD/GBP	0.4815	-0.0001	-0.0003	-0.0006	-0.0017	HKD	4.7694	5.1491
						KRW	814.49	879.34
AU TWI	61.50					MYR	2.8884	3.1184
AUD/USD	0.6590	0.0006	0.0018	0.0030	0.0038	NOK	6.3873	6.8958
AUD/NZD	1.0794	0.0009	0.0029	0.0054	0.0085	SEK	6.3944	6.9035
AUD/JPY	97.29	-0.35	-1.09	-2.19	-4.33	SGD	0.8187	0.8839
AUD/EUR	0.6094	-0.0002	-0.0007	-0.0019	-0.0066	TWD	19.06	20.58
AUD/GBP	0.5196	0.0004	0.0011	0.0021	0.0025	ZAR	11.50	12.42
USD Index	103.68					EQUITIES		
EUR/USD	1.0812	0.0012	0.0040	0.0080	0.0176		Index	
USD/JPY	147.61	-0.66	-2.04	-4.00	-7.36	NZX50	11,912	
GBP/USD	1.2679	0.0002	0.0005	0.0005	0.0006	ASX200	7,578	
EUR/GBP	0.8524	0.0008	0.0027	0.0059	0.0130	Dow Jones	38,112	
						S&P 500	4,900	
INTEREST RATES			New Zealand		Australia	FTSE100	7,633	
			Mid		Mid	DAX 30	16,942	
30 day bank bills			5.59%		4.35%	Nikkei	36,027	
90 day bank bills			5.66%		4.41%	COMMODITIES		
1 year swap			5.33%		4.21%		USD	
2 year swap			4.77%		4.00%	Brent Crude	82.57	
3 year swap			4.51%		3.90%	Gold	2,026.39	
5 year swap			4.36%		4.11%	Silver	23.13	
10 year swap			4.49%		4.42%	Iron Ore	135.55	
3 year Govt bond			4.59%		3.79%	CRB Index	313.82	
5 year Govt bond			4.49%		3.88%		NZD	
10 year Govt bond			4.75%		4.30%	NZ Carbon	71.25	

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