

Market Alert

Friday 02 February 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6136	-0.0006
NZD/AUD	0.9340	-0.0052
NZD/JPY	89.80	-2.50
NZD/EUR	0.5646	-0.0048
NZD/GBP	0.4816	-0.0008
NZD/CNH	4.4102	-0.0608
AUD/USD	0.6570	0.0030
AUD/EUR	0.6044	-0.0020
EUR/USD	1.0867	0.0080
USD/CNH	7.1865	-0.0918
GBP/USD	1.2737	0.0003
EUR/GBP	0.8530	0.0059

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.71%	4.38%
2 year swap	4.72%	3.80%
10 year Govt	4.63%	4.10%

Dissention in the BoE ranks

The BoE maintained their key bank rate at 5.25% for the 4th consecutive meeting, although there was some dissent in the ranks, with 2-policymakers voting to increase the cash rate by 25bps while 1-member called for a 25bp cut! The statement dropped a reference to further tightening acknowledging the risks to inflation are more evenly balanced, while the Governor, Andrew Baily, suggested the peak may be in place, stating, "I'm not going to give a view on how many cuts there will be, and when they will be, but I think the view that the market is taking (pricing in rate cuts) is not one I object to."

Ahead of tonight's non-farm payrolls and wage releases, US initial claims rose to their highest level since mid-November, rising to 224k while continuing claims

rose to a 9-week high at 1,898k. Euro-area annual inflation fell from 2.9% to 2.8% as forecasted, although core inflation printed slightly above the expected 3.2% at 3.3%.

Following yesterday's news on the US lender, New York Community Bancorp (no relation to Bancorp New Zealand), fears of potential bank losses on the US commercial property market are starting to grow, but despite this, equity markets rebounded, locking in gains in the 1.0%-2.0% range. Bond yields also continued their slow descent with the 2 and 10-years falling -2bp and -9bp to 4.21% and 3.88%, with the 10-year now at a 1-month low. The USD-index eased towards the 103.00 level, which has allowed the NZD and AUD to post modest gains, while commodity prices fell, after oil prices eased -1.5% on rumours Israel and Hamas have agreed to a ceasefire.

All the PMI's ... in one spot!

Let's be honest, PMIs are important, but they're not sexy like a good non-farm's payroll number! Breaking them down, there were some positives in that most have improved, although the majority are in contractionary territory. US manufacturing PMIs improved to 49.1 to record their highest print since October 2022, while Asian juggernauts, China and Japan both saw improvements, Chinese manufacturing PMIs outperformed at 50.8, which was above the expected 50.6, while the Japanese Jibun manufacturing print recorded a 48.0, which was in

line with expectations. Australian manufacturing PMIs eased back from 50.3 to 50.1.

We also had a host of second tier Australian data releases, with building permits grabbing the headlines after the December print fell drastically short of expectations, plummeting -9.5% against an expected 1.1%! House prices fell -0.5% in December, business confidence also took a step backwards falling from -1 to -6, while the trade balance saw import prices firm 1.1%, but the real positive was that export prices surged 5.6%.

In New Zealand, the impact of the hiking cycle is continuing to be felt, with mortgage arrears increasing to a 4-year high, approaching 21k-up 21% on the year.

Fed Q&A

Yesterday's Q&A session saw Jerome Powell stick to the plan, stating that while, "We believe that our policy rate is likely at its peak for this tightening cycle and, if the economy evolves broadly as expected, that it will likely be appropriate to begging dialling back policy restraint at some point this year," he won't be rushed into a cutting cycle anytime soon as, "I don't think it's likely that the committee will reach a level of confidence by the time of the March meeting." Interestingly, all of the economists are now jumping on the bandwagon, with Goldman Sachs, JP Morgan, and the ratings agency Fitch all pushing back their first rate cut forecasts from March to between May and July.



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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	0.8207	0.8788
NZD/USD	0.6138	0.0000	-0.0001	-0.0006	-0.0023	CHF	0.5262	0.5636
NZD/AUD	0.9341	-0.0009	-0.0027	-0.0052	-0.0093	CNY	4.4037	4.7152
NZD/JPY	89.82	-0.41	-1.30	-2.50	-4.73	DKK	4.2076	4.5054
NZD/EUR	0.5647	-0.0007	-0.0022	-0.0048	-0.0111	FJD	1.3515	1.4471
NZD/GBP	0.4819	-0.0001	-0.0003	-0.0008	-0.0023	HKD	4.7977	5.1370
						KRW	816.22	873.95
AU TWI	61.10					MYR	2.9005	3.1056
AUD/USD	0.6570	0.0006	0.0018	0.0030	0.0039	NOK	6.3979	6.8504
AUD/NZD	1.0704	0.0009	0.0030	0.0058	0.0097	SEK	6.3805	6.8317
AUD/JPY	96.14	-0.35	-1.10	-2.17	-4.18	SGD	0.8200	0.8779
AUD/EUR	0.6044	-0.0002	-0.0007	-0.0020	-0.0058	TWD	19.19	20.55
AUD/GBP	0.5157	0.0004	0.0012	0.0020	0.0029	ZAR	11.40	12.21
USD Index	103.14					EQUITIES		
EUR/USD	1.0867	0.0013	0.0041	0.0080	0.0168		Index	
USD/JPY	146.30	-0.67	-2.13	-3.92	-7.21	NZX50	11,917	
GBP/USD	1.2737	0.0002	0.0006	0.0003	-0.0003	ASX200	7,588	
EUR/GBP	0.8530	0.0008	0.0028	0.0059	0.0127	Dow Jones	38,370	
						S&P 500	4,886	
INTEREST RATES			New Zealand		Australia	FTSE100	7,622	
			Mid		Mid	DAX 30	16,859	
30 day bank bills			5.59%		4.34%	Nikkei	36,011	
90 day bank bills			5.67%		4.38%	COMMODITIES		
1 year swap			5.32%		4.10%		USD	
2 year swap			4.74%		3.82%	Brent Crude	80.10	
3 year swap			4.44%		3.72%	Gold	2,057.79	
5 year swap			4.24%		3.92%	Silver	23.23	
10 year swap			4.32%		4.22%	Iron Ore	130.57	
3 year Govt bond			4.56%		3.56%	CRB Index	312.72	
5 year Govt bond			4.42%		3.65%		NZD	
10 year Govt bond			4.63%		4.06%	NZ Carbon	73.70	

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