

# Market Alert

Wednesday 07 February 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6076	-0.0005
NZD/AUD	0.9319	-0.0052
NZD/JPY	89.88	-2.52
NZD/EUR	0.5653	-0.0048
NZD/GBP	0.4823	-0.0007
NZD/CNH	4.3776	-0.0574
AUD/USD	0.6521	0.0031
AUD/EUR	0.6064	-0.0018
EUR/USD	1.0750	0.0081
USD/CNH	7.2021	-0.0902
GBP/USD	1.2595	0.0007
EUR/GBP	0.8534	0.0058

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.71%	4.40%
2 year swap	4.86%	3.92%
10 year Govt	4.73%	4.22%

## Sticking to the script!

Yesterday's RBA announcement played out as we expected, with the central bank maintaining the cash rate at 4.35% while the Governor, Michele Bullock, warned, "We have made good progress on inflation but the 'job is not done'. We still have a little way to go to get inflation down. We still think the risks are balanced and we are not ruling anything in or out on policy. The November rate hike was not a mistake as we need to be sure we won't have to backtrack on inflation. We've got to be confident that we'll get to the midpoint of the target to think about interest rate cuts." So, to conclude, plenty of warnings that the RBA is convinced inflation is on a sustainable path back to target and further interest rate rises could not be ruled out, but unless these is a major shock, the top is in place.

## The overnight 'big tick' award ...

... went to dairy, after last night's GDP auction saw the overall index rally a massive 4.2%, which was substantially above the 2.0% gain forecast! It was the 5th consecutive gain, with the 'core' products doing most of the heavy lifting, with WMP firming 3.4%, while SMP rallied 4.6%, although butter was the standout performer, surging an incredible 10.3%!

The strong GDT auction underpinned a strong session for commodity markets overnight, while equity markets also had a positive session, broadly firming between 0.0% - 0.5% as Chinese stocks recorded their best session since 2022, after reports circulated regulators plan to brief President Xi on 'market conditions' ... it's unclear if new measures will be announced, but traders are forever hopeful!

The SEC announced it will label hedge funds and proprietary firms that regularly trade Treasuries as dealers, with the concern it will result in greater scrutiny and add to compliance costs, which may see some firm pull-out of the market, reducing liquidity. Despite this, US bond yields eased back after their strong 2-day rally with 2 and 10-year yields falling -8bp to 4.39% and 4.09%, while the USD-index eased back from its 3-month high, which saw the NZD/USD and AUD/USD post modest gains.

## At the peripheral.

In the US, Minneapolis Fed President, Neel Kashkari, announced, "Inflation has come down very quickly and the labour market is very strong. It is a conundrum, but a recession is not my base case. We are not quite there on year-over-year inflation data, but the 3 and 6-month data is basically there. The data is looking positive." Neels colleague, Loretta Mester, then added, "Expect the Fed to gain in confidence to cut rates later this year, (but) when the Fed cuts rates, it will likely be at a gradual pace. The Fed can lower rates later this year if the economy performs as expected, but if inflation doesn't fall, we can maintain the current policy settings."

Later in the session, US Treasury Secretary, Janet Yellen, warned, "The US budget does not need to be balanced to be on a fiscally sustainable path (although) it is critical to reduce deficits to stay on fiscally sustainable path. The refinancing of real estate loans amid high vacancies will put a lot of stress on property owners, and there may be some financial institutions that are quite stressed by commercial real estate issues."

Euro-area retail sales fell -1.1% in December, while German factory orders surged 8.9% in the month.

CitiBank has warned that investor positioning in tech stocks is so bullish that any selloff could trigger a wider rout!



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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	71.00					CAD	0.8190 0.8792
NZD/USD	0.6079	0.0000	-0.0001	-0.0005	-0.0018	CHF	0.5286 0.5672
NZD/AUD	0.9321	-0.0009	-0.0027	-0.0052	-0.0089	CNY	4.3683 4.6875
NZD/JPY	89.89	-0.41	-1.26	-2.52	-4.80	DKK	4.2154 4.5241
NZD/EUR	0.5654	-0.0007	-0.0022	-0.0048	-0.0109	FJD	1.3451 1.4437
NZD/GBP	0.4826	-0.0001	-0.0003	-0.0007	-0.0018	HKD	4.7535 5.1016
						KRW	806.58 865.64
AU TWI	60.90					MYR	2.8940 3.1060
AUD/USD	0.6521	0.0006	0.0017	0.0031	0.0043	NOK	6.4393 6.9109
AUD/NZD	1.0727	0.0009	0.0028	0.0056	0.0092	SEK	6.3916 6.8598
AUD/JPY	96.43	-0.35	-1.08	-2.18	-4.27	SGD	0.8164 0.8762
AUD/EUR	0.6064	-0.0002	-0.0007	-0.0018	-0.0059	TWD	19.01 20.41
AUD/GBP	0.5176	0.0004	0.0011	0.0020	0.0031	ZAR	11.46 12.30
USD Index	104.22					<b>EQUITIES</b>	
EUR/USD	1.0750	0.0012	0.0040	0.0081	0.0174		<b>Index</b>
USD/JPY	147.90	-0.66	-2.06	-4.01	-7.46	NZX50	11,929
GBP/USD	1.2595	0.0002	0.0006	0.0007	0.0003	ASX200	7,582
EUR/GBP	0.8534	0.0008	0.0027	0.0058	0.0132	Dow Jones	38,497
						S&P 500	4,944
						FTSE100	7,681
						DAX 30	17,033
						Nikkei	36,161
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>		
			<b>Mid</b>		<b>Mid</b>		
30 day bank bills			5.59%		4.35%		
90 day bank bills			5.67%		4.40%		
1 year swap			5.36%		4.18%		
2 year swap			4.88%		3.94%		
3 year swap			4.57%		3.83%		
5 year swap			4.37%		4.04%		
10 year swap			4.45%		4.34%		
3 year Govt bond			4.66%		3.74%		
5 year Govt bond			4.53%		3.83%		
10 year Govt bond			4.73%		4.24%		
						<b>COMMODITIES</b>	
							<b>USD</b>
						Brent Crude	78.61
						Gold	2,035.59
						Silver	22.44
						Iron Ore	128.94
						CRB Index	308.10
							<b>NZD</b>
						NZ Carbon	73.15

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