

Market Alert

Wednesday 14 February 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6049	-0.0006
NZD/AUD	0.9384	-0.0057
NZD/JPY	91.25	-2.59
NZD/EUR	0.5652	-0.0049
NZD/GBP	0.4806	-0.0009
NZD/CNH	4.4370	-0.0578
AUD/USD	0.6448	0.0033
AUD/EUR	0.6022	-0.0017
EUR/USD	1.0704	0.0083
USD/CNH	7.2314	-0.0885
GBP/USD	1.2586	0.0007
EUR/GBP	0.8504	0.0059

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.78%	4.40%
2 year swap	5.17%	4.12%
10 year Govt	4.92%	4.25%

Happy Valentine's

But if you have a colleague who is unexpectedly late ... it won't be too hard to figure out why!

The last 24-hours have been all about one thing ... inflation!

And as we've been stating for the last 3ish months ... we've made the easy gains, now it's about cementing in those incremental gains!

This was perhaps best illustrated by the overnight US CPI print, which is continuing to track in the right direction, but not as quickly as forecasters had expected, declining to 3.1% in the year to January from December's 3.4%, although it was above expectations at 2.9%. Annual core inflation also disappointed

flatlining at 3.9%, which was above forecasts at 3.7%. On the month, prices were also above expectations, 0.1% to be exact, with the headline rising to 0.3% while the core rate firmed to 0.4%. This has, to some extent, put the Fed in a difficult position given that while their favoured measure of inflation, the core PCE deflator, continues to fall the mixed messaging from the CPI releases means the Fed can't relax just yet.

Contrary to the Fed, the RBNZ's survey of inflation expectations surprised to the downside. The survey, where the central bank approaches forecasters and business leaders for their call on inflation, unsurprisingly provides a good forecasting measure for where inflation actually tracks to given that businesses tend to adjust their prices against their specific inputs. So we should take some comfort that yesterday's projections had the 1-year forecast fall from 3.60% to 3.22% while the 2-year forecast eased from 2.76% to 2.50%. This will no doubt have a few forecasters re-examining their projections, although one of the more hawkish commentators has already been on the newswires announcing, "We don't think the RBNZ will panic just yet but forget about easings in 2024 - it just isn't happening based on what we see now. And we might be back to tightening should conditions prove necessary."

Given the higher-than-expected US inflation print and the RBNZ's lower inflation expectations, the USD-dollar rallied strongly with the NZD and AUD

reverting to their recent lows with both now on key support levels. A break lower from here would likely see both pairs re-establish their pre-Christmas ranges although the NZD/AUD has been stable around the 0.9385 level. Fixed income markets are also higher, from a yield perspective, with the US 2 and 10-years 16bps and 12bps higher at 4.63% and 4.29%, which will drive NZ and AU rates higher on our open. Equity markets naturally viewed the poor US data negatively, with international exchanges broadly -1.5% lower, while commodity prices were also broadly lower despite oil prices firming a further 1.0%.

To add to the weaker inflation narrative Japanese monthly PPIs eased from 0.3% to 0.0% in January, which isn't what the BoJ would have been hoping for, although they remained flat at 0.2% on the year. The other releases saw Swiss inflation unexpectedly ease in January to 1.3%, UK Q4 wage growth undershot expectations firming to 6.2%, while German investor morale improved for the 7th consecutive month to 19.9 in February to reach its highest level in a year and surpass expectations at 17.5.

Finally, for all of those weekend knock-about golfers, following his split from Nike Tiger Woods has created a new apparel line with club manufacturer TaylorMade that will be called 'Tiger & Taylor'. Unfortunately, as Tiger mentioned, "It won't help you hit it further ... but you will look better!" I'll reserve my judgement on that!



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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	71.80					CAD	0.8215	0.8761
NZD/USD	0.6051	0.0000	-0.0002	-0.0006	-0.0024	CHF	0.5365	0.5721
NZD/AUD	0.9386	-0.0009	-0.0028	-0.0057	-0.0106	CNY	4.4013	4.6495
NZD/JPY	91.27	-0.41	-1.29	-2.59	-5.11	DKK	4.2114	4.4892
NZD/EUR	0.5653	-0.0007	-0.0023	-0.0049	-0.0117	FJD	1.3460	1.4348
NZD/GBP	0.4808	-0.0001	-0.0004	-0.0009	-0.0024	HKD	4.7300	5.0420
						KRW	811.32	864.83
AU TWI	61.00					MYR	2.8817	3.0718
AUD/USD	0.6448	0.0006	0.0018	0.0033	0.0048	NOK	6.4615	6.8878
AUD/NZD	1.0653	0.0009	0.0029	0.0062	0.0100	SEK	6.4072	6.8299
AUD/JPY	97.27	-0.35	-1.09	-2.19	-4.38	SGD	0.8175	0.8714
AUD/EUR	0.6022	-0.0002	-0.0007	-0.0017	-0.0058	TWD	19.07	20.33
AUD/GBP	0.5123	0.0004	0.0011	0.0021	0.0032	ZAR	11.58	12.35
USD Index	104.87					EQUITIES		
EUR/USD	1.0704	0.0012	0.0040	0.0083	0.0181		Index	
USD/JPY	150.80	-0.68	-2.10	-4.14	-7.89	NZX50	11,740	
GBP/USD	1.2586	0.0002	0.0006	0.0007	0.0008	ASX200	7,604	
EUR/GBP	0.8504	0.0008	0.0027	0.0059	0.0135	Dow Jones	38,192	
						S&P 500	4,951	
INTEREST RATES			New Zealand		Australia	FTSE100	7,512	
			Mid		Mid	DAX 30	16,881	
30 day bank bills			5.63%		4.34%	Nikkei	37,964	
90 day bank bills			5.74%		4.40%	COMMODITIES		
1 year swap			5.65%		4.23%		USD	
2 year swap			5.18%		4.14%	Brent Crude	83.02	
3 year swap			4.88%		4.06%	Gold	1,993.22	
5 year swap			4.68%		4.26%	Silver	22.05	
10 year swap			4.70%		4.51%	Iron Ore	128.87	
3 year Govt bond			4.96%		3.81%	CRB Index	314.30	
5 year Govt bond			4.79%		3.88%		NZD	
10 year Govt bond			4.92%		4.26%	NZ Carbon	71.95	

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