

Market Alert

Thursday 22 February 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6166	-0.0006
NZD/AUD	0.9364	-0.0059
NZD/JPY	92.73	-2.62
NZD/EUR	0.5698	-0.0050
NZD/GBP	0.4885	-0.0011
NZD/CNH	4.4416	-0.0604
AUD/USD	0.6539	0.0033
AUD/EUR	0.6048	-0.0016
EUR/USD	1.0807	0.0083
USD/CNH	7.2013	-0.0905
GBP/USD	1.2620	0.0009
EUR/GBP	0.8562	0.0055

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.74%	4.38%
2 year swap	5.19%	4.03%
10 year Govt	4.87%	4.26%

Muddling along

Local producer input prices rose by 0.9% in the final quarter of 2023, down from the previous 1.2% reading. Similar numbers came in from over the ditch too. Aussie wages rose 0.9% in Q4 and rose 4.2% over all of 2023, which is mildly above the equivalent CPI rise of 4.1% and marks the highest wage growth in Australia since 2008!

German Economy Minister, Robert Habeck, had some sobering words on his nation's economy yesterday, noting "The economy is in tricky waters" and that "we are coming out of the crisis more slowly than we hoped." He said this as his government announced a downward revision to GDP growth for 2024, the economy now expected only to grow by 0.3%. 2025's figure was similarly revised

downwards, to just 1.0%. The Minister attributed the revised forecast to an unstable global economic environment and to the low growth of world trade, alongside higher interest rates. Habeck nevertheless maintained that Germany has proven resilient in the face of losing access to Russian Seaborn Crude and oil product supplies, because of the war in the Ukraine. Habeck pointed to Germany's recent budget crisis which left a EUR60 billion hole in the government's financial plans over the coming years as an additional economic challenge.

It was a different story for their counterparts in the UK, as the UK managed to post a record public sector budget surplus for the month of January. The gain came from a substantial increase in tax receipts and decreases in government borrowing. Yesterday's figures mark the final set of public finances data before the Finance Minister, Jeremy Hunt, delivers his Spring Budget, on March 6. The Budget could be instrumental in determining the incumbent party's chances of securing victory at the next election, as recent results from by-elections have put pressure on the party to deliver tax cuts in 2024.

Hot off the press

So far, this week has been one of lacklustre data releases, however, today may bring some life into the markets. By the time you're reading this the FOMC meeting minutes will be out, and the world could be on fire, but most likely it won't be. It is likely that we will continue to hear the same rhetoric of 'inflation is heading towards target, however we need more strong data releases before we can start considering cutting rates, and when the rate cuts come there won't be as many as the market expected'. This broadly aligns with our views and even the historically front running markets seems to be getting on board, with current market expectations of the first Fed rate cut now pushed out to June, with only 3 or 4 cuts this year (versus the 6 or 7 being priced a month ago).

In anticipation of today's data releases markets were relatively flat overnight, with the US 10-year Treasury yield up 4bp overnight to be currently at 4.31%, while the NZD/USD is within the range currently at 0.6169, while equities were marginally down over all three major US indices.

As far as commodities go, US Natgas prices soared 10% after a major producer, Chesapeake Energy, slashed its guidance on 2024 production projections by about 20%. Oil followed this move and rebounded to approach a 3-month high.



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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	72.40					CAD	0.8328	0.8834
NZD/USD	0.6169	0.0000	-0.0001	-0.0006	-0.0024	CHF	0.5427	0.5756
NZD/AUD	0.9370	-0.0009	-0.0028	-0.0059	-0.0113	CNY	4.4364	4.7044
NZD/JPY	92.74	-0.42	-1.33	-2.62	-5.10	DKK	4.2521	4.5093
NZD/EUR	0.5712	-0.0007	-0.0023	-0.0050	-0.0117	FJD	1.3841	1.4678
NZD/GBP	0.4887	-0.0001	-0.0004	-0.0011	-0.0026	HKD	4.8224	5.1142
						KRW	822.22	871.96
AU TWI	61.50					MYR	2.9547	3.1335
AUD/USD	0.6539	0.0006	0.0018	0.0033	0.0053	NOK	6.4711	6.8625
AUD/NZD	1.0598	0.0010	0.0030	0.0063	0.0121	SEK	6.3973	6.7860
AUD/JPY	98.30	-0.35	-1.12	-2.19	-4.31	SGD	0.8287	0.8788
AUD/EUR	0.6048	-0.0002	-0.0007	-0.0016	-0.0055	TWD	19.44	20.62
AUD/GBP	0.5180	0.0004	0.0011	0.0021	0.0032	ZAR	11.67	12.38
USD Index	104.05					EQUITIES		
EUR/USD	1.0807	0.0013	0.0040	0.0083	0.0177		Index	
USD/JPY	150.32	-0.67	-2.12	-4.09	-7.76	NZX50	11,590	
GBP/USD	1.2620	0.0002	0.0006	0.0009	0.0017	ASX200	7,608	
EUR/GBP	0.8562	0.0009	0.0027	0.0055	0.0124	Dow Jones	38,487	
						S&P 500	4,965	
INTEREST RATES			New Zealand		Australia	FTSE100	7,663	
			Mid		Mid	DAX 30	17,118	
30 day bank bills			5.64%		4.34%	Nikkei	38,262	
90 day bank bills			5.71%		4.38%	COMMODITIES		
1 year swap			5.68%		4.20%		USD	
2 year swap			5.21%		4.04%	Brent Crude	82.84	
3 year swap			4.90%		3.98%	Gold	2,020.99	
5 year swap			4.67%		4.18%	Silver	22.77	
10 year swap			4.70%		4.47%	Iron Ore	127.92	
3 year Govt bond			4.88%		3.78%	CRB Index	311.73	
5 year Govt bond			4.72%		3.87%		NZD	
10 year Govt bond			4.87%		4.26%	NZ Carbon	66.50	

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