

# Market Alert

Friday 15 March 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6130	-0.0002
NZD/AUD	0.9314	-0.0052
NZD/JPY	90.92	-2.54
NZD/EUR	0.5631	-0.0046
NZD/GBP	0.4808	-0.0007
NZD/CNH	4.4331	-0.0615
AUD/USD	0.6580	0.0032
AUD/EUR	0.6044	-0.0018
EUR/USD	1.0883	0.0083
USD/CNH	7.2016	-0.0976
GBP/USD	1.2746	0.0012
EUR/GBP	0.8537	0.0056

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.68%	4.39%
2 year swap	4.95%	4.01%
10 year Govt	4.70%	4.14%

## Here's the thing ...

Overnight there were 2-key data releases that added weight to something I've been contemplating ... what if they don't?

First up, the data ... US producer prices rose by 0.6% in February, which was double the January print, the forecast, and the index's highest level since last August. The core was also strong at rate increased by 0.3%, against expectations at 0.2%, although it was below the prior months 0.5%. Meanwhile, the number of people claiming unemployment fell by 1k to 209k while continuing claims rose by 17k to 1,811k, which was below market expectations at 1,900k. Finally, retail sales firmed 0.6% in February 2024, following on from January's downwardly revised -1.1% contraction.

So, something I've been contemplating for a week or 2, and speaking with clients about, with a strong economy, low unemployment, and higher than anticipated consumer and manufacturing inflation ... what if the Fed doesn't cut this year? happy to have a chat on it if you want to give me a call.

Conceivably, fixed income markets are thinking the same thing after the yield on the US 10-year Treasury note climbed for the fourth day in a row to 4.29%, a 10bps rally on the day, while the 2-years firmed 6bps to 4.69%. This also supported the USD-index, which firmed 0.50% back above the 103.25 level, which saw the NZD and AUD weaken. Commodities were mixed, although oil prices surged to a 4-month high firming 1.75%, while global equity markets sold-off between -0.50% to -1.0%.

## The best of the rest.

The ECB's Luis de Guindos announced, "I see Europe's economy picking up in 2H 2024. Inflation is heading to 2.0%, but wages are still a risk, In June we will have sufficient info to take decision on rates." Colleague, Yannis Stournaras, then added, "The ECB must cut twice before August and a total of four times this year."

The ratings agency Fitch has updated its FOMC and ECB projections confirming, "We expect both the Federal Reserve and ECB to cut rates three times, by a total of 75bp, by year-end. But both central banks want to see more evidence that recent disinflation

progress is durable before starting out on the policy-easing process. We have pushed back the date of the first Fed cut to July from our previous expectation of June. We have also pushed back the date of the first ECB cut to June from April." On China they added, "Housing sales look likely to fall sharply again this year. Evidence of deflationary pressures is rising, although fiscal easing is being stepped up materially. This boost will cushion the impact on the GDP forecast."

In the political protectionist corner, Joe Biden states US Steel must remain "an American steel company that is domestically owned and operated," while Chinese Foreign Minister, Wang Yi, will hold talks with Australia's Foreign Affairs Minister, Penny Wong, in Canberra next Wednesday.

## Migration increasing, but more Kiwi's leaving!

Immigration numbers produced, once again, a strong headline number with a net gain of 133.8k with arrivals jumping to 257k with 126.3k departures of our youngest and brightest. In the other headline of the day, the REINZ house price index rose 1.1% on the month and 3.2% on the year with the median house price rising 3.9% on the month and 3.1% on the year to NZD790k.

Useless fact of the day, C-3PO has sold his head ... from the 'Return of the Jedi' movie ... netting 'actor' Anthony Daniels USD843,750.



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# Daily Rates

Friday 15 March 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.80					CAD	0.8295	0.8904
NZD/USD	0.6131	0.0000	0.0000	-0.0002	-0.0008	CHF	0.5416	0.5815
NZD/AUD	0.9316	-0.0009	-0.0026	-0.0052	-0.0092	CNY	4.4090	4.7334
NZD/JPY	90.94	-0.44	-1.28	-2.54	-4.80	DKK	4.1992	4.5075
NZD/EUR	0.5632	-0.0007	-0.0022	-0.0046	-0.0101	FJD	1.3461	1.4449
NZD/GBP	0.4809	-0.0001	-0.0003	-0.0007	-0.0018	HKD	4.7948	5.1467
						KRW	812.02	871.63
AU TWI	61.60					MYR	2.8713	3.0821
AUD/USD	0.6580	0.0006	0.0018	0.0032	0.0053	NOK	6.4752	6.9503
AUD/NZD	1.0733	0.0009	0.0028	0.0054	0.0094	SEK	6.3364	6.8015
AUD/JPY	97.61	-0.38	-1.11	-2.23	-4.24	SGD	0.8189	0.8790
AUD/EUR	0.6044	-0.0007	-0.0007	-0.0018	-0.0050	TWD	19.35	20.77
AUD/GBP	0.5161	0.0004	0.0011	0.0020	0.0032	ZAR	11.49	12.33
USD Index	103.36					<b>EQUITIES</b>		
EUR/USD	1.0883	0.0014	0.0039	0.0083	0.0177		<b>Index</b>	
USD/JPY	148.33	-0.73	-2.09	-4.09	-7.61	NZX50	11,808	
GBP/USD	1.2746	0.0002	0.0007	0.0012	0.0020	ASX200	7,714	
EUR/GBP	0.8537	0.0009	0.0026	0.0056	0.0119	Dow Jones	38,891	
						S&P 500	5,151	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,743	
			<b>Mid</b>		<b>Mid</b>	DAX 30	17,942	
30 day bank bills			5.59%		4.35%	Nikkei	38,807	
90 day bank bills			5.64%		4.39%	<b>COMMODITIES</b>		
1 year swap			5.46%		4.20%		<b>USD</b>	
2 year swap			4.97%		4.02%	Brent Crude	85.40	
3 year swap			4.66%		3.94%	Gold	2,161.49	
5 year swap			4.43%		4.12%	Silver	24.83	
10 year swap			4.48%		4.38%	Iron Ore	111.77	
3 year Govt bond			4.65%		3.71%	CRB Index	324.67	
5 year Govt bond			4.50%		3.78%		<b>NZD</b>	
10 year Govt bond			4.70%		4.13%	NZ Carbon	65.00	

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