

# Market Alert

Friday 10 May 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6032	-0.0003
NZD/AUD	0.9113	-0.0046
NZD/JPY	93.755	-2.56
NZD/EUR	0.5595	-0.0050
NZD/GBP	0.4817	-0.0010
NZD/CNH	4.3551	-0.0560
AUD/USD	0.6619	0.0030
AUD/EUR	0.6138	-0.0026
EUR/USD	1.0780	0.0091
USD/CNH	7.2201	-0.0898
GBP/USD	1.2522	0.0018
EUR/GBP	0.8608	0.0057

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.43%
2 year swap	5.03%	4.25%
10 year Govt	4.80%	4.43%

## Comfortably Numb.

Is a very good song from Pink Floyd, especially since the song starts with, "Hello? Is there anybody in there?"

The BoE maintained its key bank rate at 5.25% overnight, which was in line with expectations, but there was also a surprise ... 2 of the 9 committee members voted to cut the rate by 0.25%, as opposed to 1 at the prior meeting. This, combined with the fact officials revised down their inflation forecasts and boosted their growth outlook, implies that a June rate cut is a real possibility. Even the BoE Governor, Andrew Bailey, confirmed, "It's likely we will need to cut bank rate over the coming quarters; possible we will need to cut rates more than what's currently priced in. We have no pre-conceptions about how far and how fast we will cut rates."

This suggested there is now a distinct possibility the BoE and ECB will cut rates in June, with current market pricing suggesting the Fed will likely cut in September given the bearishness of Governor Jerome Powell's comments at their last FOMC, which raises the question ... has anyone heard anything recently from the RBNZ? "Hello? Is there anybody in there?"

## Given the weakness of the recent US releases ...

... the question has been raised, "Are we starting to see the first cracks in the US economy?" Well, that is the million-dollar question, but last night's initial claims certainly played to the narrative after they surged to their highest level since last August, growing by 22k to 231k, which was sharply above forecasts at 210k. This saw continuing claims firm to 1,785k.

But at least there was some positive news out of China after both exports and imports grew more than expected, with exports growing by 1.5% in the year to April, while imports jumped 8.4%, above forecasts at 5.4%, as domestic demand strengthened. This saw the Chinese trade surplus ease to USD72.35bn in April, as compared to USD86.46bn in the same period a year earlier.

The BoJ has reverted to its prior verbal intervention strategy, flagging the risks to inflation via a weak JPY and implying they are ready to adjust monetary policy

(Yeah right!) The central bank has warned that there are various inflationary pressures building in the pipeline, such as the greater-than-expected wage-price spiral, a lack of supply capacity due to labour shortages, and a rise in commodity prices. Meanwhile, the BoJ noted that realizing the outlook for economic activity and price rises could warrant interest rate hikes. On another note, average cash earnings in Japan increased by 0.6% year-on-year in March 2024, slowing for the second straight month, following a 1.8% gain in February. The latest reading was also the lowest since September last year.

## Summing it all up.

Perhaps global interest rates won't be as high, for as long, as western central bank Governors had originally suggested. With cracks beginning to appear in American and European economies, central banks will have to front run the impending economic slowdown as monetary policy takes several months, even years, to actually trickle into a modern economy.

On the back of the weaker than expected jobs data, the US 10-year treasury is down 4bps to 4.46%, all three major American indices were up 0.3% to 0.8%, while oil futures also gained 0.6%. Lastly the NZD appreciated overnight, up from around 0.6000 to now be closer to 0.6035, driven by a weaker USD as the DXY index fell around 30 points.



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# Daily Rates

Friday 10 May 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.90					CAD	0.8246	0.9052
NZD/USD	0.6032	0.0000	0.0000	-0.0003	-0.0007	CHF	0.5461	0.5996
NZD/AUD	0.9113	-0.0009	-0.0025	-0.0046	-0.0075	CNY	4.3542	4.7779
NZD/JPY	93.755	-0.44	-1.30	-2.56	-4.87	DKK	4.1713	4.5788
NZD/EUR	0.5595	-0.0007	-0.0023	-0.0050	-0.0104	FJD	1.3566	1.4891
NZD/GBP	0.4817	-0.0001	-0.0003	-0.0010	-0.0025	HKD	4.7120	5.1722
						KRW	823.41	903.84
AU TWI	62.50					MYR	2.8573	3.1364
AUD/USD	0.6619	0.0006	0.0017	0.0030	0.0045	NOK	6.5433	7.1824
AUD/NZD	1.0971	0.0010	0.0029	0.0047	0.0069	SEK	6.5447	7.1840
AUD/JPY	102.87	-0.39	-1.16	-2.31	-4.56	SGD	0.8153	0.8950
AUD/EUR	0.6138	-0.0007	-0.0009	-0.0026	-0.0066	TWD	19.51	21.42
AUD/GBP	0.5285	0.0004	0.0010	0.0016	0.0016	ZAR	11.13	12.22
USD Index	105.22					<b>EQUITIES</b>		
EUR/USD	1.0780	0.0013	0.0044	0.0091	0.0189		<b>Index</b>	
USD/JPY	155.43	-0.73	-2.15	-4.18	-7.89	NZX50	11,747	
GBP/USD	1.2522	0.0002	0.0008	0.0018	0.0043	ASX200	7,722	
EUR/GBP	0.8608	0.0009	0.0029	0.0057	0.0117	Dow Jones	39,383	
						S&P 500	5,210	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	8,381	
			<b>Mid</b>		<b>Mid</b>	DAX 30	18,687	
30 day bank bills			5.60%		4.36%	Nikkei	38,074	
90 day bank bills			5.63%		4.43%	<b>COMMODITIES</b>		
1 year swap			5.43%		4.41%		<b>USD</b>	
2 year swap			5.04%		4.26%	Brent Crude	84.16	
3 year swap			4.77%		4.17%	Gold	2,340.58	
5 year swap			4.57%		4.34%	Silver	28.25	
10 year swap			4.63%		4.56%	Iron Ore	116.59	
3 year Govt bond			4.74%		4.02%	CRB Index	337.76	
5 year Govt bond			4.65%		4.09%		<b>NZD</b>	
10 year Govt bond			4.80%		4.42%	NZ Carbon	55.00	

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