

# Market Alert

Tuesday 21 May 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6107	-0.0001
NZD/AUD	0.9158	-0.0046
NZD/JPY	95.435	-2.58
NZD/EUR	0.5623	-0.0049
NZD/GBP	0.4806	-0.0009
NZD/CNH	4.4244	-0.0597
AUD/USD	0.6668	0.0032
AUD/EUR	0.6139	-0.0023
EUR/USD	1.0861	0.0092
USD/CNH	7.2460	-0.0968
GBP/USD	1.2705	0.0017
EUR/GBP	0.8545	0.0059

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.65%	4.39%
2 year swap	4.90%	4.14%
10 year Govt	4.69%	4.32%

## Roger Tango Alpha Mary ... Nothing to report here ... over and out!

Yes, there wasn't a great deal of volatility overnight in international markets despite the 'gaggle' of Fed speakers! Breaking them all down ...

Cleveland Fed President, Loretta Mester, confirmed, "Monetary policy is restrictive, but policymakers need to wait for more evidence about the path of inflation before adjusting interest rates." Ms Mester, who had previously favoured 3 rate cuts this year, said she didn't think 3 reductions would still be appropriate for 2024 given the Q1 inflation figures given, "It's too soon to tell what path inflation is on, so we just need to collect more information on that. I expect inflation to come down -- just not quickly."

San Francisco Fed President, Mary Daly, announced, "I'm not confident inflation is yet coming down sustainably to 2.0%, but I don't see any evidence right now that we need to adjust upwards either." Ms Daly then added she expects shelter inflation to come down more slowly than in a typical recovery.

Fed Vice Chair, Philip Jefferson, suggested, "It is too early to tell whether the recent slowdown in the disinflationary process will be long lasting. The better reading for April is encouraging, although inflation isn't cooling as quickly as he would like."

Atlanta Fed President, Raphael Bostic, said his outlook is that "inflation will continue to fall this year and into 2025, but it will take quite a while before the central bank is certain that inflation is clearly on its path to 2.0%. The US macro-economy and labour market remain broadly healthy and financial markets are generally stable as well, although inflation, policy uncertainty, and geopolitical risks remain. But then there are also questions concerning the transmission of monetary policy and whether a restrictive nominal fed funds rate is as effectively restrictive as the FOMC intends. I think that our new 'steady state' is likely to be higher than what people have known over the last decade -- maybe back to where we were in the 1990s and 2000s, but we'll just have to see." The Atlanta Fed chief also reiterated that "nothing has changed" regarding his view that maybe only one rate cut will be appropriate in 2024, amid a continuing, but bumpy deceleration for inflation.

So, summing it all up, the Fed aren't putting rates up, want to watch the data before starting the cutting cycle, and, looking ahead, the new normal for interest rates will be higher than in the post-GFC to pre-Covid decade!

This ultimately saw equity markets start the week in a holding pattern ahead of Nvidia's results. Normally I wouldn't reference such a release, but the simple fact is the giant chipmaker has been at the heart of the AI frenzy that has powered the most recent bull market. Commodity markets also liked the Fed's messaging with gold and copper surging to new highs while oil prices eased back. Bond yields firmed on the Bostic comments, with the 2-years 2bps higher at 4.85% while the 10-years firmed 3bps to yield 4.45%. Currency markets were quiet with the USD-index recovering some of its shine, which weighed on the NZD and AUD while USD/JPY rallied through the 156.00 level to the 156.25 level.

## Auckland remains under water

So hopefully you are all safe and dry. Interesting, despite the threat of global warming local NZ carbon prices fell NZD4.00 yesterday to be at NZD46.00, which is its lowest level since last July.

Finally, Lamborghini is holding off on making its sports cars fully electric, and congratulations to Xander Schauffele on winning the PGA Championship by a single stroke!



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# Daily Rates

Tuesday 21 May 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.90					CAD	0.8315	0.9118
NZD/USD	0.6107	0.0000	0.0000	-0.0001	0.0001	CHF	0.5555	0.6069
NZD/AUD	0.9158	-0.0009	-0.0025	-0.0046	-0.0074	CNY	4.4208	4.8285
NZD/JPY	95.435	-0.48	-1.32	-2.58	-4.82	DKK	4.1936	4.5804
NZD/EUR	0.5623	-0.0008	-0.0024	-0.0049	-0.0097	FJD	1.3597	1.4851
NZD/GBP	0.4806	-0.0001	-0.0003	-0.0009	-0.0016	HKD	4.7610	5.2000
						KRW	830.30	906.87
AU TWI	63.40					MYR	2.8590	3.1226
AUD/USD	0.6668	0.0006	0.0017	0.0032	0.0054	NOK	6.5295	7.1317
AUD/NZD	1.0917	0.0011	0.0028	0.0052	0.0081	SEK	6.5279	7.1299
AUD/JPY	104.14	-0.42	-1.17	-2.32	-4.47	SGD	0.8223	0.8981
AUD/EUR	0.6139	-0.0003	-0.0010	-0.0023	-0.0058	TWD	19.68	21.49
AUD/GBP	0.5247	0.0004	0.0010	0.0016	0.0025	ZAR	11.09	12.11
USD Index	104.58					<b>EQUITIES</b>		
EUR/USD	1.0861	0.0015	0.0045	0.0092	0.0191		<b>Index</b>	
USD/JPY	156.26	-0.79	-2.16	-4.21	-7.91	NZX50	11,736	
GBP/USD	1.2705	0.0002	0.0008	0.0017	0.0035	ASX200	7,864	
EUR/GBP	0.8545	0.0010	0.0029	0.0059	0.0119	Dow Jones	39,801	
						S&P 500	5,311	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	8,424	
			<b>Mid</b>		<b>Mid</b>	DAX 30	18,769	
30 day bank bills			5.60%		4.34%	Nikkei	39,070	
90 day bank bills			5.61%		4.39%	<b>COMMODITIES</b>		
1 year swap			5.35%		4.31%		<b>USD</b>	
2 year swap			4.92%		4.15%	Brent Crude	83.70	
3 year swap			4.64%		4.07%	Gold	2,428.88	
5 year swap			4.43%		4.22%	Silver	31.95	
10 year swap			4.50%		4.45%	Iron Ore	117.02	
3 year Govt bond			4.61%		3.89%	CRB Index	344.86	
5 year Govt bond			4.52%		3.96%		<b>NZD</b>	
10 year Govt bond			4.69%		4.31%	NZ Carbon	46.00	

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