

Market Alert

Tuesday 11 June 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6123	-0.0002
NZD/AUD	0.9265	-0.0047
NZD/JPY	96.160	-2.60
NZD/EUR	0.5688	-0.0051
NZD/GBP	0.4809	-0.0007
NZD/CNH	4.4888	-0.0624
AUD/USD	0.6608	0.0031
AUD/EUR	0.6138	-0.0024
EUR/USD	1.0761	0.0092
USD/CNH	7.2654	-0.0993
GBP/USD	1.2726	0.0012
EUR/GBP	0.8452	0.0063

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.66%	4.40%
2 year swap	5.08%	4.22%
10 year Govt	4.81%	4.38%

Though I walk through the valley of the shadow of death ...

... I will fear no evil!

That is an ominous start to the morning, but to some extent the weekend's elections have generated a fresh wave of political uncertainty across Europe after the far-right parties gained ground in the European Parliamentary elections which, in a surprise move, saw French President Macron call a snap election after Marine Le Pen's National Rally got more than 30.0% of the votes. As someone said, "If the EU moves any further to the right, Nigel Farage will want to rejoin it!"

The political uncertainty saw the EUR come under selling pressure as it fell to a 1-month low at 1.0733 against the USD before it recovered into the close. It should also be noted that while the USD-index broke through the 105.00

level, and will close the session around the 105.13 level, the NZD and AUD also had strong sessions, partially recovering from the post-nonfarm weakness.

Overall, it was a 'churn and burn' session for equity markets with European exchanges trading lower, with the French market -1.25% lower, while the US exchanges locked in small gains as investors positioned themselves ahead of the Fed's 2-day meeting. Interestingly, Apple shares fell -2.0% after it announced it will partner with OpenAI to bring ChatGPT to its devices.

Commodities had a strong session, although the strength was predominately driven by higher oil prices which surged 2.75%-3.0% driven by expectations of increased summer demand leading to a potential supply shortage.

This morning's treasury auction contributed to higher yields after the US Treasury's issuance of USD53bn of 3 year notes did not go particularly well, generating a high yield of 4.659% with a 1.1bps tail verse the 0.1bps 6-month average. The bid-cover ratio was also lower at 2.43x. As we go into the close, the 2-years is slightly lower at 4.89%, the 3-years firmed 1bps to 4.68%, while the 10-year yield is 2bps higher at 4.47%.

The NY Fed's May survey of consumer expectations ...

... saw the 1-year inflation forecast fall from 3.3% to 3.2%, the 3-year forecast print flat at 2.8%, while the 5-year forecast firmed from 2.8% to 3.0%.

Following last week's rate cut, ECB President Christine Lagarde stated, "Rates may not necessarily be on a linear declining path, there might be periods when we hold. It is possible the ECB will hold rates for longer than a single meeting. We are keen to see evolution of labour costs, corporate profits. Time dependent guidance on rates is not helpful."

If you weren't already aware that the Japanese economy is in a massive economic slump, yesterday's Q1 GDP print confirmed it after the Japanese economy contracted -1.8% on an annualised basis. On a positive note, it was better than the preliminary print at -2.0%, while the Q4 print revised up to 0.4%.

Everyone loves a forecast ...

... so let us see the latest from the investment banks! Goldman's is expecting an unchanged verdict from the Fed this week although they are anticipating rate cuts in September and December this year, with a further four in 2025, and another two rate cuts in 2026. JP Morgan has shifted its forecast for the first FOMC rate cut from July to November with Fed Chair Jerome Powell maintaining a dovish tone this week, while PIMCO is forecasting another two ECB rate cuts this year, in September and December, which is broadly aligned with market pricing.



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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	72.10					CAD	0.8426	0.9093
NZD/USD	0.6125	0.0000	-0.0001	-0.0002	-0.0011	CHF	0.5489	0.5924
NZD/AUD	0.9269	-0.0008	-0.0025	-0.0047	-0.0086	CNY	4.4244	4.7688
NZD/JPY	96.195	-0.45	-1.34	-2.60	-5.01	DKK	4.2432	4.5793
NZD/EUR	0.5691	-0.0008	-0.0025	-0.0051	-0.0107	FJD	1.3508	1.4578
NZD/GBP	0.4812	-0.0001	-0.0003	-0.0007	-0.0018	HKD	4.7840	5.1630
						KRW	841.71	908.38
AU TWI	63.20					MYR	2.8894	3.1183
AUD/USD	0.6608	0.0006	0.0017	0.0031	0.0049	NOK	6.5204	7.0369
AUD/NZD	1.0782	0.0009	0.0028	0.0052	0.0081	SEK	6.4149	6.9231
AUD/JPY	103.76	-0.39	-1.17	-2.33	-4.51	SGD	0.8281	0.8937
AUD/EUR	0.6138	-0.0003	-0.0011	-0.0024	-0.0059	TWD	19.81	21.38
AUD/GBP	0.5190	0.0004	0.0010	0.0018	0.0030	ZAR	11.45	12.36
USD Index	105.15					EQUITIES		
EUR/USD	1.0761	0.0015	0.0045	0.0092	0.0183		Index	
USD/JPY	157.04	-0.73	-2.17	-4.23	-7.93	NZX50	11,788	
GBP/USD	1.2726	0.0002	0.0006	0.0012	0.0018	ASX200	7,860	
EUR/GBP	0.8452	0.0010	0.0032	0.0063	0.0129	Dow Jones	38,828	
						S&P 500	5,358	
INTEREST RATES			New Zealand		Australia	FTSE100	8,228	
			Mid		Mid	DAX 30	18,495	
30 day bank bills			5.60%		4.34%	Nikkei	39,038	
90 day bank bills			5.62%		4.40%	COMMODITIES		
1 year swap			5.49%		4.35%		USD	
2 year swap			5.10%		4.23%	Brent Crude	81.79	
3 year swap			4.83%		4.16%	Gold	2,309.20	
5 year swap			4.61%		4.32%	Silver	29.69	
10 year swap			4.65%		4.53%	Iron Ore	108.48	
3 year Govt bond			4.79%		4.01%	CRB Index	340.98	
5 year Govt bond			4.67%		4.07%		NZD	
10 year Govt bond			4.81%		4.38%	NZ Carbon	51.00	

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