Market Alert

CURRENCIES	Spot	6mths
NZD/USD	0.5759	0.0016
NZD/AUD	0.9085	0.0020
NZD/JPY	88.285	-1.65
NZD/EUR	0.5489	-0.0037
NZD/GBP	0.4529	0.0018
NZD/CNH	4.1966	-0.0250
AUD/USD	0.6338	0.0003
AUD/EUR	0.6040	-0.0053
EUR/USD	1.0492	0.0096
USD/CNH	7.2865	-0.0617
GBP/USD	1.2715	-0.0018
EUR/GBP	0.8248	0.0086

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.29%	4.52%
2 year swap	3.59%	3.85%
10 year Govt	4.58%	4.39%

NZ Government outlook weaker

The New Zealand Treasury released the Half Year Economic and Fiscal Update ("HYEFU"), outlining that the Government is facing greater budget deficits going forward. Based on the previous measure of the operating balance before gains and losses ("OBEGAL"), the deficit is forecast to remain until at least 2029, longer than the previous estimate of returning to surplus in 2028. The OBEGAL measure has been replaced with the Government's new headline fiscal indicator, the operating balance before gains and losses excluding Accident Compensation Corporation ("ACC") revenue and expenses ("OBEGALx"), which forecasts the Government to return to surplus by 2029, although both measures show weaker figures than forecast earlier this year. The Treasury advised against excluding ACC from the measure and will continue reporting OBEGAL as well as OBEGALx.

Tax revenues over the next four years are projected to be NZD$13 billion lower than previously forecast. The Treasury expects economic growth going forward, with forecasts of real GDP growth at 0.5% and 3.3% for the 24/25 and 25/26 fiscal years respectively, with these forecasts most likely reflecting the assumption that interest rates will continue to fall, although expected growth forecasts further into the future were lower due to poor labour productivity.

Alongside the HYEFU, the New Zealand Government Bond programme has increased forecast borrowings to NZD$40 billion for the 24/25 fiscal year, an increase of $2 billion, with the programmes for the 25/26, 26/27, and 27/28 fiscal years also having been revised higher by $4 billion, $6 billion, and $8 billion, respectively.

While the domestic backdrop is surely not helping the NZD, which tested 0.5750 against the USD overnight, it shares its fate with the other commodity currencies. The AUD/USD is sitting at its weakest level in more than 12 months this morning, while the CAD/USD is not far off a 5-year low.

White gold

Today's dairy auction bought lower prices to the tune of a 2.8% drop. Whole and skim milk powder both fell 2.9%, while cheddar and mozzarella fell 0.2% and 1.8% respectively. Butter fell 0.6%. Although given the NZD's recent weakness, this was only a total drop of 0.7% in NZD terms.

The rest of the world

Retail sales in the US popped up 0.7% in the month of November, beating forecasts of 0.5%. This translates to an annual gain of 3.8% from the same month a year ago. On the flip side, industrial production slipped 0.1% in the month of November coming in below market expectations of a 0.2% rise. Translated to an annual figure, this is a drop of 0.9% from a year ago.

To the north, Canada's November CPI rate printed with no surprises. 1.9% was the expected and subsequently observed figure, which will allow the central bank to continue its planned easing at its next meeting in January.

The UK's unemployment rate remained at 4.3% in October, with the 3-month moving average employment change far higher than expected, up 173k compared to expectations of a reduction of 12k. Earnings excluding bonuses rose by a strong 5.2% in the October year.

The Eurozone trade balance came in lower than expected at a surplus of EUR6.8 billion against forecasts of EUR11.7 billion. Exports rose by 2.1% over the October year, while imports rose 3.2%.

In Australia, the Westpac-Melbourne Institute Consumer Sentiment Index fell by 2.0% yesterday to 92.8, indicating a pessimistic outlook going forward. The 'economic outlook, next 12 months' sub-index dropped 9.6% to 91.2, while the 'economic outlook, next 5 years' sub-index fell 7.9% to 95.9.

Daily Rates

FX	Spot Mid	FECs (mid) 1mth	3mths	6mths	12mths		Spot Mid NZD/...	AUD/...
NZ TWI	68.80					CAD	0.8239	0.9072
NZD/USD	0.5759	0.0001	0.0005	0.0016	0.0040	CHF	0.5135	0.5655
NZD/AUD	0.9085	0.0001	0.0006	0.0020	0.0049	CNY	4.1931	4.6163
NZD/JPY	88.285	-0.36	-0.89	-1.65	-2.89	DKK	4.0932	4.5063
NZD/EUR	0.5489	-0.0007	-0.0018	-0.0037	-0.0072	FJD	1.3019	1.4333
NZD/GBP	0.4529	0.0002	0.0006	0.0018	0.0042	HKD	4.4727	4.9241
						KRW	827.15	910.62
AU TWI	60.60					MYR	2.5705	2.8299
AUD/USD	0.6338	0.0000	0.0001	0.0003	0.0008	NOK	6.4480	7.0988
AUD/NZD	1.1007	-0.0002	-0.0009	-0.0027	-0.0065	SEK	6.3095	6.9463
AUD/JPY	97.18	-0.41	-1.05	-2.00	-3.70	SGD	0.7768	0.8552
AUD/EUR	0.6040	-0.0008	-0.0024	-0.0053	-0.0112	TWD	18.72	20.61
AUD/GBP	0.4983	0.0001	0.0003	0.0009	0.0018	ZAR	10.41	11.46
USD Index	106.91					EQUITIES		
EUR/USD	1.0492	0.0015	0.0042	0.0096	0.0211			Index
USD/JPY	153.29	-0.66	-1.68	-3.23	-6.02	NZX50		12,914
GBP/USD	1.2715	-0.0003	-0.0007	-0.0018	-0.0037	ASX200		8,314
EUR/GBP	0.8248	0.0013	0.0037	0.0086	0.0188	Dow Jones		43,386
USD/CNY	7.2846	-0.0193	-0.0541	-0.1168	-0.2467	S&P 500		6,046
						FTSE100		8,195

INTEREST RATES	New Zealand Mid	Australia Mid
30 day bank bills	4.38%	4.38%
90 day bank bills	4.29%	4.52%
1 year swap	3.77%	4.08%
2 year swap	3.61%	3.87%
3 year swap	3.59%	3.81%
5 year swap	3.70%	4.05%
10 year swap	4.04%	4.31%
3 year Govt bond	3.84%	3.88%
5 year Govt bond	4.06%	3.99%
10 year Govt bond	4.58%	4.39%

	Index
DAX 30	20,246
Nikkei	39,365

COMMODITIES	USD
Brent Crude	73.24
Gold	2,646.33
Silver	30.49
Iron Ore	105.41
CRB Index	351.97
	NZD
NZ Carbon	61.75

BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING

BANCORP
BANCORP CORPORATE FINANCE LIMITED