

Market Alert

Wednesday 31 May 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6043	-0.0007
NZD/AUD	0.9274	-0.0073
NZD/JPY	84.48	-2.52
NZD/EUR	0.5634	-0.0064
NZD/GBP	0.4870	-0.0016
NZD/CNH	4.3002	-0.0716
AUD/USD	0.6518	0.0044
AUD/EUR	0.6075	-0.0022
EUR/USD	1.0729	0.0107
USD/CNH	7.0890	-0.1103
GBP/USD	1.2405	0.0021
EUR/GBP	0.8646	0.0066

INT RATES	NZ	Australia
OCR/Cash	5.50%	3.85%
90 day bills	5.74%	4.01%
2 year swap	5.18%	3.82%
10 year Govt	4.38%	3.76%

Last night was data-light!

Despite the data-light session, markets saw some significant moves. While equity bourses were mixed, energy based commodities came under selling pressure with oil, heating oil and gasoline falling between -3.5% and -4.5%. Bonds yields were also significantly lower, with the US 2 and 10-yr's off -14 and -8bps to yield 4.46% and 3.69% respectively. The USD-index maintained its momentum holding above the 104.00 level as the NZD and AUD made new lows overnight.

The only significant US releases were consumer confidence, which eased to 102.3 in May, down from April's upwardly revised 103.7, while house prices rose for a second straight month in March, by 0.4%. Meanwhile Fed member

Tom Barkin admitted that while he is, "looking for signs that demand is falling," he acknowledged, "inflation going to be more stubborn than many people would hope for. Even in the Volcker era, it took years (to fall.)"

And if you thought the ECB was about to pause ... think again!

While economic sentiment indicator in the Eurozone declined to 96.5, which was below forecasts at 98.9, ECB member Pablo Hernández de Cos plunged the knife announcing, "interest rates will have to remain in restrictive territory for an extended period of time to achieve our objective in a sustained manner over time," while colleague Pierre Wunsch added, "if fiscal policy remains supportive, then monetary policy would have to do more to get inflation under control. This implies higher interest rates and, over the medium term, higher deficits because of the debt burden and a higher risk of fiscal dominance. We have hiked 400bps and we might have to do more. Rates are still 'quite low' in real terms." Finally, an ECB report suggested markets may see "stressed liquidity" due to heightened economic uncertainty amid monetary policy normalization and tighter financial conditions.

The Japanese Finance Minister Suzuki came out swinging in support of the JPY stating, "economic fundamentals that have (previously) backed the yen's credibility are no longer considered absolute. Policymakers must strive to maintain credibility in the

currency." BoJ Governor Ueda then added, "The BoJ will patiently maintain easy monetary policy as there is still distance to go to stable 2% inflation and the BoJ will continue with bond buying operations."

The NZ housing shortage ...

... appears to be re-establishing itself after building permits fell -2.6% as "April 2023 marks the third consecutive month that the number of homes consented has been down by more than 25% when compared with the same month of the previous year." Meanwhile, Countdown has announced it will freeze prices on 300 products at, I suspect, the peak of the inflationary cycle!

Hot on the heels of the RBA Governor's warning on wage inflation, Australian treasury secretary, Steven Kennedy, stated he expects nominal wage growth to accelerate. Meanwhile, Australian weekly consumer confidence continues to ebb away falling from 77.9 to 76.8 as "May was the weakest calendar-month average since December 1990 as cost-of-living pressures continues to impact households" while building permits plummeted -8.1% in April following on from March's 2.0% gain.

This is what we need in New Zealand ... Not! In Dubai scientists are using drones that fly towards the clouds and discharge electrical charges to create rain! Meanwhile, rainfall damage to wheat crops in China will likely impact international prices.



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Daily Rates

Wednesday 31 May 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.20					CAD	0.8215	0.8860
NZD/USD	0.6043	-0.0001	-0.0002	-0.0007	-0.0008	CHF	0.5474	0.5904
NZD/AUD	0.9274	-0.0013	-0.0037	-0.0073	-0.0139	CNY	4.2787	4.6102
NZD/JPY	84.48	-0.43	-1.25	-2.52	-5.01	DKK	4.1946	4.5243
NZD/EUR	0.5634	-0.0012	-0.0032	-0.0064	-0.0127	FJD	1.3405	1.4459
NZD/GBP	0.4870	-0.0004	-0.0011	-0.0016	-0.0021	HKD	4.7340	5.1061
						KRW	797.50	860.19
AU TWI	60.10					MYR	2.7786	2.9970
AUD/USD	0.6518	0.0008	0.0023	0.0044	0.0068	NOK	6.7599	7.2912
AUD/NZD	1.0779	0.0015	0.0041	0.0083	0.0149	SEK	6.5677	7.0840
AUD/JPY	91.08	-0.34	-1.00	-2.00	-4.09	SGD	0.8159	0.8801
AUD/EUR	0.6075	-0.0005	-0.0012	-0.0022	-0.0045	TWD	18.46	19.92
AUD/GBP	0.5253	0.0003	0.0009	0.0024	0.0057	ZAR	11.89	12.83
USD Index	104.07					EQUITIES		
EUR/USD	1.0729	0.0020	0.0057	0.0107	0.0190		Index	
USD/JPY	139.77	-0.70	-2.01	-3.99	-7.79	NZX50	11,879	
GBP/USD	1.2405	0.0008	0.0018	0.0021	-0.0005	ASX200	7,209	
EUR/GBP	0.8646	0.0010	0.0030	0.0066	0.0157	Dow Jones	33,043	
						S&P 500	4,208	
INTEREST RATES			New Zealand		Australia	FTSE100	7,522	
			Mid		Mid	DAX 30	15,909	
30 day bank bills			5.63%		3.88%	Nikkei	31,328	
90 day bank bills			5.74%		4.01%	COMMODITIES		
1 year swap			5.69%		4.03%		USD	
2 year swap			5.18%		3.82%	Brent Crude	73.83	
3 year swap			4.80%		3.68%	Gold	1,959.59	
5 year swap			4.45%		3.64%	Silver	23.21	
10 year swap			4.34%		3.94%	Iron Ore	105.41	
3 year Govt bond			4.51%		3.48%	CRB Index	282.86	
5 year Govt bond			4.31%		3.49%		NZD	
10 year Govt bond			4.38%		3.76%	NZ Carbon	54.50	

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