

Market Alert

Thursday 29 June 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6079	-0.0007
NZD/AUD	0.9205	-0.0054
NZD/JPY	87.77	-2.58
NZD/EUR	0.5569	-0.0056
NZD/GBP	0.4807	-0.0002
NZD/CNH	4.4034	-0.0722
AUD/USD	0.6604	0.0031
AUD/EUR	0.6047	-0.0026
EUR/USD	1.0916	0.0097
USD/CNH	7.2422	-0.1110
GBP/USD	1.2643	-0.0012
EUR/GBP	0.8633	0.0083

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.72%	4.36%
2 year swap	5.35%	4.32%
10 year Govt	4.61%	3.94%

The ECB Forum on Central Banking ...

... has turned into a massive 'quote-fest' for the globes leading central bankers, and they're all telling you the same thing, interest rates will be higher for longer!

Jerome Powell started with, "Although policy is restrictive, it may not be restrictive enough, and it has not been restrictive for long enough! We believe there's more restrictions coming (with) a strong majority for 2 more rate hikes as per the dot plots." Christine Lagarde then added, "If the baseline stands, we'll likely hike in July. We know we have more ground to cover. We're not considering a rate pause at the moment." BoE Governor, Andrew Bailey, continued with, "The UK economy turned out to be much more resilient. The data

showed clear signs of persistent inflation. We will do what is necessary to get inflation to target. Core inflation in the UK is much stickier." Although BoJ Governor, Kazuo Ueda, was a little more resonate, stating, "Underlying inflation is below target. If we become reasonably sure about the second part of our inflation forecast, that would be a good reason to reconsider a policy change. The economy is going to expand slightly above potential for some time. If we want a 2.0% inflation rate, wage inflation is too high. The JPY is influenced by many factors."

The Australian inflation print came out better than expected after the May monthly release saw headline inflation fall to 0.0% from 0.3% in April. On an annual basis, inflation came in at 5.6%, which was a 13-month low, and lower than last month's 6.8% and the forecast at 6.1%. Unfortunately, the 'core' print wasn't so encouraging, coming in at 6.4% on the year while the trimmed mean eased to 6.1% from April's 6.7%. Despite the large drop in the headline number, one of the Big 4 is still expecting the RBA will initiate another 25bp hike next week.

China's National Bureau of Statistics announced industrial profits took a battering from insufficient demand although they are improving after they fell -12.6% in the year to May, but it was better than the prior months -18.2% contraction.

German consumer confidence saw its first deterioration in nine months falling to -25.4 from -24.4, which was well short of expectations at -23.0.

In an interesting twist, European equity markets had a positive session, rallying 0.75% to 2.0%, while US exchanges gave back some of yesterday's gains. There was a similar contradiction in commodity markets after gas prices plummeted -4.5% while oil prices rallied 2.25%. The real movement, however, was in FX markets with the Australian inflation print starting the trend while the comments from Sintra in Portugal added to the trend which saw the NZD and AUD fall to the bottom of their ranges. Strangely, bond yields also eased with the US 2 and 10-years both 5bps lower at 4.72% and 3.72%.

A penny for your thoughts ...

JP Morgan Chief Market Strategist, Marko Kolanovic, confirmed, "We expect a more challenging backdrop for US equities in H2 and believe risk-reward remains unattractive given the decelerating economy, a likely recession starting in 4Q23-1Q24, a softening consumer trends, and a significant re-rating of stocks so far this year."

Goldman Sachs raised their Q2 US economic growth tracking estimate due to the "stronger than expected consumer confidence index in June, as both the present situation and expectations components rose while the labour differential also improved."



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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	71.20					CAD	0.8054	0.8752
NZD/USD	0.6079	-0.0001	-0.0003	-0.0007	-0.0014	CHF	0.5448	0.5919
NZD/AUD	0.9205	-0.0010	-0.0028	-0.0054	-0.0097	CNY	4.4091	4.7953
NZD/JPY	87.77	-0.43	-1.28	-2.58	-5.16	DKK	4.1469	4.5051
NZD/EUR	0.5569	-0.0010	-0.0028	-0.0056	-0.0110	FJD	1.3416	1.4575
NZD/GBP	0.4807	-0.0002	-0.0004	-0.0002	0.0008	HKD	4.7610	5.1721
						KRW	795.21	863.88
AU TWI	61.60					MYR	2.8383	3.0834
AUD/USD	0.6604	0.0006	0.0016	0.0031	0.0047	NOK	6.5405	7.1054
AUD/NZD	1.0861	0.0011	0.0032	0.0061	0.0101	SEK	6.5495	7.1140
AUD/JPY	95.35	-0.37	-1.10	-2.26	-4.68	SGD	0.8218	0.8927
AUD/EUR	0.6047	-0.0004	-0.0013	-0.0026	-0.0059	TWD	18.84	20.47
AUD/GBP	0.5221	0.0003	0.0012	0.0028	0.0062	ZAR	11.33	12.31
USD Index	102.94					EQUITIES		
EUR/USD	1.0916	0.0017	0.0050	0.0097	0.0188		Index	
USD/JPY	144.33	-0.69	-2.03	-4.09	-8.13	NZX50	11,733	
GBP/USD	1.2643	0.0002	0.0002	-0.0012	-0.0056	ASX200	7,197	
EUR/GBP	0.8633	0.0011	0.0037	0.0083	0.0186	Dow Jones	33,790	
						S&P 500	4,373	
INTEREST RATES			New Zealand		Australia	FTSE100	7,500	
			Mid		Mid	DAX 30	15,949	
30 day bank bills			5.64%		4.16%	Nikkei	33,194	
90 day bank bills			5.72%		4.36%	COMMODITIES		
1 year swap			5.76%		4.48%		USD	
2 year swap			5.35%		4.32%	Brent Crude	73.73	
3 year swap			4.98%		4.12%	Gold	1,910.19	
5 year swap			4.59%		4.00%	Silver	22.74	
10 year swap			4.40%		4.14%	Iron Ore	112.60	
3 year Govt bond			4.82%		3.90%	CRB Index	288.19	
5 year Govt bond			4.58%		3.82%		NZD	
10 year Govt bond			4.61%		3.94%	NZ Carbon	41.00	

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