

Market Alert

Friday 30 June 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6067	-0.0005
NZD/AUD	0.9165	-0.0052
NZD/JPY	87.86	-2.71
NZD/EUR	0.5581	-0.0060
NZD/GBP	0.4809	-0.0002
NZD/CNH	4.4096	-0.0725
AUD/USD	0.6618	0.0032
AUD/EUR	0.6088	-0.0032
EUR/USD	1.0869	0.0106
USD/CNH	7.2686	-0.1147
GBP/USD	1.2612	-0.0007
EUR/GBP	0.8615	0.0086

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.72%	4.34%
2 year swap	5.38%	4.46%
10 year Govt	4.65%	3.96%

Growth explosion!

Wow ... the US economy grew by an annualised 2.0% in Q1 2023, which was well above forecasts at 1.4%! In amongst the detail, the key driver was consumer spending, which surged to 4.2%, to reach its highest level in almost two years despite stubbornly high inflation. A further positive for the US economy was non-farm payrolls, which fell by 26k to 239k to record its sharpest drop since October 2021.

Another plus was the results of the Fed's stress test results on US banks which, in a broad summary, highlighted all banks passed with sufficient capital to weather a severe economic downturn while the report also highlighted the larger bank's

trading books are resilient within the current interest rate environment. The 'pass mark' paves the way for banks to re-start share buybacks and dividend payments.

Despite the positive news out of the US, Germany, Europe's largest economy, saw annual inflation rally to 6.4% in June, higher than forecasts at 6.3% and May's 14-month low of 6.1%. The core rate also rallied, up to 5.8% from 5.4%. And, in a further negative, the ECB's hiking cycle and persistently high inflation contributed to a further deterioration in Eurozone economic sentiment as it declined for a second consecutive month to 95.3 in June, below expectations for 96.0 as the index generated its lowest print since last November.

The Riksbank, Sweden's central bank, raised their key policy rate by 25bp to 3.75%, which was in line with expectations. Policymakers said that while inflation is falling, it remains far too high with the central bank forecasting at least one more rate hike this year.

NZ June business confidence leapt 13 points to -18, the index's highest print since November 2021, while the own activity index jumped 8 points to 3, its first positive print in 14-months! In amongst the detail, inflation indicators generally eased while freight disruption fell to a fresh low. Meanwhile, Australian May retail sales surged 0.7% on the month against expectation for a 0.1% gain following April's 0.0%.

The biggest mover overnight was in the Treasury market as yields surged to their highest levels since March as the stronger than expected GDP data prompted traders to wager the Fed would likely raise rates two more times this year. This saw the 2 and 10-year yields surge 16bps and 14bp to reach 4.88% and 3.85% respectively. NZ and AU fixed income markets will undoubtedly be higher today. Against this, the USD-index posted modest gains, which saw the NZD ease lower, although the AUD ended the session in positive territory which drove NZD/AUD down to 0.9165. Equity and commodity markets were mildly higher.

Are we starting to see some contradictions from the Fed?

Possibly. While Fed Chair, Jerome Powell, and the market continues to 'talk-up' the possibility of further rate hikes, Fed colleague, Raphael Bostic, a non-voter, announced, "*the effects of monetary policy adjustments that began last year are starting to show up in the real economy, including labour markets. I'm not ready to rule out further rate hikes if required, but I don't see additional Fed rate hikes as needed.*"

S&P Global has raised its global GDP growth forecast to 2.9% for this year and next year, before climbing to 3.3% in the coming years, although, "*surprisingly strong demand will keep policy rates higher for longer for most advanced countries.*"



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Daily Rates

Friday 30 June 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.90					CAD	0.8036	0.8769
NZD/USD	0.6067	-0.0001	-0.0002	-0.0005	-0.0009	CHF	0.5458	0.5955
NZD/AUD	0.9165	-0.0009	-0.0027	-0.0052	-0.0087	CNY	4.3969	4.7970
NZD/JPY	87.86	-0.43	-1.30	-2.71	-5.22	DKK	4.1562	4.5338
NZD/EUR	0.5581	-0.0010	-0.0029	-0.0060	-0.0109	FJD	1.3390	1.4606
NZD/GBP	0.4809	-0.0002	-0.0004	-0.0002	0.0010	HKD	4.7555	5.1874
						KRW	801.53	874.32
AU TWI	61.50					MYR	2.8327	3.0899
AUD/USD	0.6618	0.0006	0.0017	0.0032	0.0046	NOK	6.5492	7.1440
AUD/NZD	1.0906	0.0010	0.0031	0.0058	0.0092	SEK	6.5892	7.1877
AUD/JPY	95.85	-0.37	-1.14	-2.45	-4.82	SGD	0.8227	0.8974
AUD/EUR	0.6088	-0.0004	-0.0014	-0.0032	-0.0061	TWD	18.88	20.59
AUD/GBP	0.5246	0.0003	0.0011	0.0027	0.0064	ZAR	11.39	12.43
USD Index	103.33					EQUITIES		
EUR/USD	1.0869	0.0016	0.0049	0.0106	0.0192		Index	
USD/JPY	144.81	-0.68	-2.08	-4.35	-8.29	NZX50	11,808	
GBP/USD	1.2612	0.0003	0.0000	-0.0007	-0.0056	ASX200	7,195	
EUR/GBP	0.8615	0.0010	0.0036	0.0086	0.0189	Dow Jones	34,210	
						S&P 500	389	
INTEREST RATES			New Zealand		Australia	FTSE100	7,472	
			Mid		Mid	DAX 30	15,947	
30 day bank bills			5.63%		4.17%	Nikkei	33,234	
90 day bank bills			5.72%		4.34%	COMMODITIES		
1 year swap			5.76%		4.57%		USD	
2 year swap			5.38%		4.46%	Brent Crude	74.25	
3 year swap			5.00%		4.28%	Gold	1,907.29	
5 year swap			4.60%		4.04%	Silver	22.57	
10 year swap			4.41%		4.16%	Iron Ore	112.64	
3 year Govt bond			4.85%		3.96%	CRB Index	288.07	
5 year Govt bond			4.61%		3.88%		NZD	
10 year Govt bond			4.65%		3.96%	NZ Carbon	41.00	

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