

Market Alert

Monday 10 July 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6185	-0.0005
NZD/AUD	0.9274	-0.0056
NZD/JPY	88.19	-2.68
NZD/EUR	0.5636	-0.0059
NZD/GBP	0.4817	0.0000
NZD/CNH	4.4906	0.0000
AUD/USD	0.6688	0.0034
AUD/EUR	0.6096	-0.0028
EUR/USD	1.0967	0.0105
USD/CNH	7.2332	0.0000
GBP/USD	1.2836	-0.0011
EUR/GBP	0.8541	0.0088

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.73%	4.35%
2 year swap	5.73%	4.66%
10 year Govt	4.92%	4.32%

Yeah ... Nah!

What a great weekend it was ... England fought back to win the 3rd test, the Warriors were virtually unstoppable, the All Blacks opened the test season in fine form, and those chaps know how to deal with pitch invaders, but in amongst the plaudits, lets spare a thought for the Wallabies and the Australian cricket team! Yeah nah!

The Friday session was all about the US non-farm payrolls report, which had a little something for everyone. The actual payrolls release saw 209,000 jobs added to the US economy, and while it was the lowest print since December 2020 and below the forecast 240,000, it remains well above the 70,000-100,000 jobs required per month to maintain growth within the working-age population. But

there were also some strong headlines in the detail as the unemployment rate declined from 3.7% in May to 3.6%, while average hourly earnings increased 0.4% in June and 4.4% from a year ago. While it is good news the US economy is not falling over, the data heightened fears that the central bank may have to resume its hiking cycle later this month.

Looking at the price action, US bond markets didn't really know what to make of the releases with the 2-year yield 6bps lower at 4.95% while the 10-year yield firmed 4bps to 4.08%. Against this, the USD-index eased off to close below the 102.00 level, which saw the NZD and AUD book modest gains. US equity markets closed the day, and the week, in negative territory, although the European bourses did show some signs of positivity, as did commodity markets.

BoE Governor Andrew Bailey suggested the BoE had to be flexible about its inflation timing as it's *"absolutely critical that that flexibility isn't confused with people thinking we are not pursuing 2% anymore."*

ECB President Christine Lagarde confirmed the central bank won't hesitate to act if they see a simultaneous uptick in company margins and wages given that policymakers *"still have work to do"* to cut inflation to their 2.0% target, while colleague Mario Centeno added that while he's confident inflation has peaked, *"Core inflation stands out as a very important indicator. It's not coming down as fast as headline inflation, but we also need*

to remember that on the way up it played exactly the same trajectory."

Eisuke Sakakibara, aka Mr. Yen, suggested the USD/JPY may weaken to the 160.00 level before Japanese authorities may be tempted to intervene.

World food prices fell to a 2-year low after the FAO food price index fell to 122.3 in June, which was its lowest level since April 2021 and well below the record peak of 159.7 reached in March last year.

Its going to be another exciting week!

This week central banks take centre stage with the RBNZ, BoC and the South Korean Central Bank providing their interest rate updates. We suspect the RBNZ will leave the OCR unchanged given Mr. Orr's comments 6 weeks ago, which is in-line with market pricing which has allocated a 12% chance of an OCR hike. We also have the June Inflation report from the US, the start of the June reporting season, the Michigan consumer confidence index, producer prices, and export and import prices. Other important releases include China's trade data and new Yuan loans, the German ZEW Economic Sentiment Index, UK's May GDP growth and labour data, as well as Australia's business and consumer sentiment.



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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	71.80					CAD	0.8206	0.8884
NZD/USD	0.6185	-0.0001	-0.0003	-0.0005	-0.0010	CHF	0.5494	0.5917
NZD/AUD	0.9274	-0.0011	-0.0031	-0.0056	-0.0099	CNY	4.4918	4.8328
NZD/JPY	88.19	-0.47	-1.30	-2.68	-5.36	DKK	4.2018	4.5435
NZD/EUR	0.5636	-0.0010	-0.0029	-0.0059	-0.0118	FJD	1.3469	1.4564
NZD/GBP	0.4817	-0.0002	-0.0003	0.0000	0.0010	HKD	4.8409	5.2346
						KRW	802.75	868.04
AU TWI	61.60					MYR	2.8859	3.1206
AUD/USD	0.6688	0.0007	0.0019	0.0034	0.0044	NOK	6.5617	7.0953
AUD/NZD	1.0765	0.0012	0.0033	0.0061	0.0101	SEK	6.6917	7.2359
AUD/JPY	95.08	-0.39	-1.10	-2.35	-4.85	SGD	0.8326	0.9003
AUD/EUR	0.6096	-0.0003	-0.0011	-0.0028	-0.0065	TWD	19.34	20.91
AUD/GBP	0.5209	0.0004	0.0014	0.0031	0.0066	ZAR	11.63	12.58
USD Index	102.27					EQUITIES		
EUR/USD	1.0967	0.0016	0.0050	0.0105	0.0195		Index	
USD/JPY	142.07	-0.74	-2.03	-4.22	-8.17	NZX50	11,980	
GBP/USD	1.2836	0.0002	0.0000	-0.0011	-0.0073	ASX200	7,042	
EUR/GBP	0.8541	0.0011	0.0038	0.0088	0.0200	Dow Jones	33,735	
						S&P 500	4,399	
INTEREST RATES			New Zealand		Australia	FTSE100	7,257	
			Mid		Mid	DAX 30	15,603	
30 day bank bills			5.65%		4.13%	Nikkei	32,388	
90 day bank bills			5.73%		4.35%	COMMODITIES		
1 year swap			5.96%		4.69%		USD	
2 year swap			5.73%		4.67%	Brent Crude	78.47	
3 year swap			5.40%		4.55%	Gold	1,924.28	
5 year swap			5.02%		4.62%	Silver	23.06	
10 year swap			4.81%		4.69%	Iron Ore	110.54	
3 year Govt bond			5.27%		4.30%	CRB Index	294.40	
5 year Govt bond			4.99%		4.24%		NZD	
10 year Govt bond			4.92%		4.32%	NZ Carbon	39.50	

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