

Market Alert

Monday 3 July 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6124	-0.0004
NZD/AUD	0.9209	-0.0052
NZD/JPY	88.52	-2.67
NZD/EUR	0.5599	-0.0059
NZD/GBP	0.4827	-0.0001
NZD/CNH	4.4592	0.0000
AUD/USD	0.6661	0.0033
AUD/EUR	0.6103	-0.0030
EUR/USD	1.0910	0.0106
USD/CNH	7.2679	0.0000
GBP/USD	1.2680	-0.0008
EUR/GBP	0.8589	0.0088

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.74%	4.40%
2 year swap	5.46%	4.49%
10 year Govt	4.69%	4.09%

Knock knock knocking on heaven's door ...

... or 145.00 if you're USD/JPY! And with it trading above 145.00 on Friday, Japan Finance Minister Suzuki rolled out the usual comments namely, "We are closely watching FX moves with great sense of urgency. We will respond appropriately if FX moves become excessive. Sharp, one-sided moves (are being) seen in the FX market. Yen weakness has both merit and demerit. The current situation is not positive to current policy issues". Japanese industrial production fell -1.6% in May which was worse than the -1.0% expected, while Tokyo CPI for June fell to 3.1% from 3.8%. But the USD/JPY, and in fact all the USD-pairs, got some relief overnight Friday after the headline US PCE deflator index slowed from 0.4% to 0.1% in May, and

from 4.3% to 3.8% in the year to May, as consumer spending stagnated suggesting the economy's main engine is starting to lose some momentum. Against this, it was the usual 'story' with the core 'stickier' as it matched expectations easing from 0.4% to 0.3% in May and from 4.7% to 4.6% for the year.

Its possibly a little early for the French riots to be impacting Eurozone consumer inflation, so it wasn't a complete surprise that the headline rate eased from 6.1% to 5.6%, although core inflation actually firmed from 5.3% to 5.4% to remain near its 5.7% peak. The Eurozone's unemployment rate remained at 6.5% ... but they have been busy recently!

New Zealand consumer confidence firmed to 85.5 in June from May's 79.2, and while it remains at a historically low level, there was a sharp drop in the inflation expectations from 4.8% to 4.3%.

Chinese PMI's are broadly grinding lower despite an increase in manufacturing, which squeaked from 48.8 to 49.0, services eased from 54.5 to 53.2, which saw the composite contract from 52.9 to 52.3.

International equity markets rallied into the weekend as confirmation of a slowing US consumer prodded hopes that the Fed may only hike interest rates once more this current cycle. This contributed to lower yields with 2 and 10-year treasuries easing 2 bps and 1bps to yield 4.90% and 3.84%, while the USD-index weakened as traders locked in profits for the week, which saw the NZD and AUD

pop back above the 0.6100 and 0.6650 levels against the USD. Commodities also closed in positive territory.

Just when we were hoping for the best ... the Warriors of old showed up!

Fed member Raphael Bostic Fed announced, "Its unambiguous that inflation has fallen considerably. The signals are more ambiguous on inflation for the past 6-months," although ex-colleague, Lael Brainard, stated, "There's every reason to think that inflation could reach the range of around 2% or slightly above 2% could be hit before the election." Meanwhile, Treasury Secretary Janet Yellen reiterated, "Our economy has proven more resilient than many had thought".

2-0 to Australia ... 1 to go to retain the Ashes!

With a new month, we have the usual major releases that the first week of the month brings with it. This means we have, from the US, the FOMC meeting minutes from their June meeting, all of the jobs/employment data, factory orders, foreign trade data, and the ISM PMI surveys for June. In addition, we have Canadian employment data, China Caixin Services and Manufacturing PMI's and Japan's Tankan Manufacturers Index and, from Australia, the RBA's interest rate decision, the trade balance and credit data for May, in addition to the Ai Group Industry index for June.



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Daily Rates

Monday 3 July 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.90					CAD	0.8106	0.8822
NZD/USD	0.6124	-0.0001	-0.0003	-0.0004	-0.0013	CHF	0.5483	0.5952
NZD/AUD	0.9209	-0.0010	-0.0027	-0.0052	-0.0092	CNY	4.4448	4.8306
NZD/JPY	88.52	-0.46	-1.30	-2.67	-5.27	DKK	4.1786	4.5450
NZD/EUR	0.5599	-0.0010	-0.0028	-0.0059	-0.0112	FJD	1.3456	1.4636
NZD/GBP	0.4827	-0.0002	-0.0003	-0.0001	0.0011	HKD	4.7992	5.2200
						KRW	805.37	875.99
AU TWI	61.70					MYR	2.8568	3.1074
AUD/USD	0.6661	0.0006	0.0017	0.0033	0.0046	NOK	6.5326	7.1054
AUD/NZD	1.0878	0.0012	0.0031	0.0057	0.0088	SEK	6.6103	7.1900
AUD/JPY	96.10	-0.40	-1.13	-2.39	-4.84	SGD	0.8280	0.9006
AUD/EUR	0.6103	-0.0004	-0.0013	-0.0030	-0.0063	TWD	19.06	20.74
AUD/GBP	0.5250	0.0004	0.0012	0.0028	0.0064	ZAR	11.53	12.54
USD Index	102.92					EQUITIES		
EUR/USD	1.0910	0.0018	0.0050	0.0106	0.0193		Index	
USD/JPY	144.32	-0.72	-2.06	-4.27	-8.22	NZX50	11,916	
GBP/USD	1.2680	0.0003	0.0002	-0.0008	-0.0063	ASX200	7,203	
EUR/GBP	0.8589	0.0012	0.0038	0.0088	0.0194	Dow Jones	34,408	
						S&P 500	4,450	
INTEREST RATES			New Zealand		Australia	FTSE100	7,532	
			Mid		Mid	DAX 30	16,148	
30 day bank bills			5.64%		4.19%	Nikkei	33,189	
90 day bank bills			5.74%		4.40%	COMMODITIES		
1 year swap			5.80%		4.60%		USD	
2 year swap			5.46%		4.49%	Brent Crude	75.41	
3 year swap			5.08%		4.31%	Gold	1,919.57	
5 year swap			4.68%		4.13%	Silver	22.75	
10 year swap			4.49%		4.26%	Iron Ore	111.71	
3 year Govt bond			4.92%		4.08%	CRB Index	291.36	
5 year Govt bond			4.68%		4.00%		NZD	
10 year Govt bond			4.69%		4.09%	NZ Carbon	41.75	

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