

Market Alert

Tuesday 4 July 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6152	-0.0005
NZD/AUD	0.9220	-0.0057
NZD/JPY	89.04	-2.71
NZD/EUR	0.5639	-0.0059
NZD/GBP	0.4848	-0.0002
NZD/CNH	4.4644	-0.0726
AUD/USD	0.6672	0.0033
AUD/EUR	0.6114	-0.0028
EUR/USD	1.0911	0.0103
USD/CNH	7.2562	-0.1126
GBP/USD	1.2690	-0.0009
EUR/GBP	0.8596	0.0085

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.73%	4.40%
2 year swap	5.45%	4.45%
10 year Govt	4.66%	4.02%

"We will not go quietly into the night!"

"We will not vanish without a fixed rate mortgage! We're going to live on! We're going to survive these interest rate hikes! Because today we celebrate our Independence Day!" Okay ... maybe I para-phased a little, but today is Independence Day and while we're not getting attacked by aliens, whatever happened to Will Smith?

Last night's price action was pretty light, with most Americans also taking the Monday off to go with the Tuesday US holiday. This ensured a quiet opening to the week ahead of this week's potential fireworks, with today's RBA meeting the first fuse to be lit. Interestingly, only one of the Australian major banks expects the RBA to leave its cash rate unchanged.

US equities closed a shortened session with modest gains, as did European bourses. Commodity markets also closed in positive territory, although energy products were all dragged down by lower oil prices despite Saudi Arabia and Russia extending supply cuts. FX markets were quiet, with the NZD/USD and AUD/USD trading water following yesterday's rally, while USD/JPY firmed to 144.75. Finally, US Treasury yields firmed, with the 2-year versus 10-year spread falling to -125bp as it nears March's multi-decade low at -138bp. Historically, an inverted US yield curve has been a good predictor of recession.

Downbeat day for the PMIs

Yesterday saw the first of the June PMIs to be released, with US ISM manufacturing PMIs falling to 46 from May's 46.9, while the S&P US manufacturing PMI print flatlined. The Chinese Caixin manufacturing PMIs eased to 50.5, from 50.9, Japanese Jibun manufacturing PMIs fell from 50.6 to 49.8, while Australian June manufacturing PMIs fell from 48.4 to 48.2. Can you spot the trend here?

The Australian TD/Melbourne Institute inflation June forecasts headlined at 0.1%, down from May's 0.9%, and at 5.7% on the year. Job ads fell 2.5% following May's 0.1% gain, while May building permits surged 20.6%, mainly due to multi-unit approvals. In New Zealand, building permits fell -2.2% in May and -17.7% on the year ... that definitely tells you something!

The Atlanta Fed GDPNow Q2 tracker eased to 1.9% from 2.2%, while May US construction spending exceeded the 0.6% forecast to print at 0.9%.

The BoJ's Q2 Tankan survey saw Japanese business sentiment improve as raw material costs peaked and the removal of pandemic curbs lifted consumption and capex plans, although inflation is projected to remain above the central banks 2.0% target over the next 5-years.

ECB member Joachim Nagel announced, "Inflation is not retreating as we would like it to (although we are) confident a hard landing can be avoided. We still have a way to go with policy tightening. Monetary policy signals are clearly pointing in the direction of further tightening." Meanwhile Morgan Stanley bumped its ECB terminal rate forecast to 4.00%, from 3.75%.

The final warning!

Pimco is warning of a 'harder global landing' given "the market is too optimistic on rate cuts. Persistent inflation remains a key issue, and the firm is expecting a 'wave' of forced selling." Which is interesting because, allegedly, the major US banks are carrying approximately USD620bn of mark-to-market losses on their bond portfolios, with one bank reportedly carrying a USD100bn loss! Bridgewater co-CIO, Greg Jensen, was of a similar view, noting that markets are getting it wrong and warned of a bad outlook for stocks and bonds.



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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	71.40					CAD	0.8152	0.8842
NZD/USD	0.6152	-0.0001	-0.0003	-0.0005	-0.0013	CHF	0.5513	0.5980
NZD/AUD	0.9220	-0.0011	-0.0027	-0.0057	-0.0099	CNY	4.4576	4.8336
NZD/JPY	89.04	-0.47	-1.31	-2.71	-5.27	DKK	4.1989	4.5538
NZD/EUR	0.5639	-0.0010	-0.0029	-0.0059	-0.0113	FJD	1.3515	1.4657
NZD/GBP	0.4848	-0.0002	-0.0003	-0.0002	0.0011	HKD	4.8194	5.2267
						KRW	803.24	871.13
AU TWI	61.90					MYR	2.8699	3.1125
AUD/USD	0.6672	0.0006	0.0017	0.0033	0.0046	NOK	6.5791	7.1352
AUD/NZD	1.0842	0.0012	0.0031	0.0059	0.0087	SEK	6.6624	7.2256
AUD/JPY	96.57	-0.41	-1.12	-2.38	-4.75	SGD	0.8311	0.9013
AUD/EUR	0.6114	-0.0004	-0.0014	-0.0028	-0.0059	TWD	19.13	20.74
AUD/GBP	0.5257	0.0004	0.0013	0.0030	0.0068	ZAR	11.54	12.51
USD Index	102.99					EQUITIES		
EUR/USD	1.0911	0.0017	0.0048	0.0103	0.0189		Index	
USD/JPY	144.71	-0.73	-2.06	-4.30	-8.29	NZX50	11,917	
GBP/USD	1.2690	0.0003	0.0001	-0.0009	-0.0059	ASX200	7,246	
EUR/GBP	0.8596	0.0011	0.0036	0.0085	0.0187	Dow Jones	34,418	
						S&P 500	4,456	
INTEREST RATES			New Zealand		Australia	FTSE100	7,527	
			Mid		Mid	DAX 30	16,081	
30 day bank bills			5.64%		4.21%	Nikkei	33,753	
90 day bank bills			5.73%		4.40%	COMMODITIES		
1 year swap			5.81%		4.52%		USD	
2 year swap			5.45%		4.45%	Brent Crude	74.88	
3 year swap			5.06%		4.28%	Gold	1,921.29	
5 year swap			4.64%		4.09%	Silver	22.91	
10 year swap			4.45%		4.20%	Iron Ore	111.71	
3 year Govt bond			4.93%		4.02%	CRB Index	290.27	
5 year Govt bond			4.67%		3.94%		NZD	
10 year Govt bond			4.66%		4.02%	NZ Carbon	41.75	

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