

# Market Alert

Friday 08 March 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6171	-0.0005
NZD/AUD	0.9324	-0.0054
NZD/JPY	91.37	-2.55
NZD/EUR	0.5641	-0.0047
NZD/GBP	0.4820	-0.0007
NZD/CNH	4.4449	-0.0620
AUD/USD	0.6618	0.0032
AUD/EUR	0.6048	-0.0017
EUR/USD	1.0940	0.0084
USD/CNH	7.2012	-0.0949
GBP/USD	1.2800	0.0008
EUR/GBP	0.8546	0.0058

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.68%	4.40%
2 year swap	4.99%	3.96%
10 year Govt	4.71%	4.08%

## Once again, we had Jerome Powell creating waves ...

... but thankfully he didn't generate any tsunamis!

Powell provided his 2nd day of testimony to the Senate Banking Committee, where he stated, "If the economy does as we expect, we can think carefully about removing the restrictive policy setting over the course of the year. We are well aware of the risk of waiting too long to cut rates. Our job is to restore price stability, that's what we're doing! Interest rates right now are well into restrictive territory. They're well above neutral." At another event, Fed Colleague, Loretta Mester, warned, "Cutting rates too soon risks undermining all of the FOMC's good work. I expect we will be in a position to reduce rates sometime later this year. The January inflation report shows that we need to be cautious."

The US data was a touch weaker than expected as well after US-based employers announced plans to cut almost 85k jobs in February 2024, the most in 11-months, while initial claims firmed to 217k, which was above market expectations of 215k. Finally, the US trade deficit reached a 9-month high at USD67.4bn.

The ECB kept their interest rates settings at their existing levels, which was expected. In the post-meeting conference, ECB President, Christine Lagarde, added, "We are on a disinflationary process, and we are making progress. Inflation is to decline to target, and (our) longer-term inflation expectations mostly stand around 2.0%. The economy remains weak and the risks to economic growth remain tilted to the downside. We'll know a little more in April, and a lot more in June," which has seen the market price in a 25bps cut for June, with a further 75bps of cuts by year-end.

German factory orders fell -11.3% on the month, to be at -6.0% on the year, Germany's finance ministry said it expects net debt to shrink to €39.0bn in 2024 and even further to €16.0bn next year. Meanwhile, the British economy is expected to take a 4.0% hit since it left the EU with a -15% reduction in trade.

## Prize of the biggest mover overnight went to ...

... the JPY after BoJ Board Member, Junko Nakagawa, announced, "Japan's economy is making steady progress toward achieving our price goal target. If we sustainably

achieve our price goal, we will decide whether or not to tweak YCC, risky asset buying, and other policy means. There is a heightened chance this year's wage revisions will result in fairly high levels compared with last year." And considering that Japan's largest industrial union has just won their largest wage hikes in 30-years at 6.7% including base pay rises of 5.15%, could we finally be witnessing a turn in the JPY?

The strengthening of the JPY set the tone for an overall 'USD sell session' in conjunction with the weaker than expected US data. The USD-index is currently -0.5% lower, which has seen the NZD and AUD firm, while the US 2-year treasury yield eased -4bps to 4.53% with the 10-years flat at 4.10%. Equity markets are on a tear, once again.

There was also some stronger than expected data out of China after exports surged 7.1% in the January-February period on the same period a year ago, while imports rose 3.5%, which saw China's trade surplus increased to USD125.16bn ahead of expectations at USD103.7bn. Iron ore imports were also on a tear in January - February jumping 8.1%.

Australian home loans fell -3.9% in January, which was slightly better than December's -4.1% contraction but way worse than the forecast 2.0% gain.



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# Daily Rates

Friday 08 March 2024

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	71.70					CAD	0.8307 0.8912
NZD/USD	0.6174	0.0000	-0.0001	-0.0005	-0.0018	CHF	0.5420 0.5814
NZD/AUD	0.9326	-0.0009	-0.0026	-0.0054	-0.0099	CNY	4.4379 4.7598
NZD/JPY	91.39	-0.44	-1.29	-2.55	-4.87	DKK	4.2032 4.5083
NZD/EUR	0.5642	-0.0007	-0.0022	-0.0047	-0.0107	FJD	1.3548 1.4531
NZD/GBP	0.4823	-0.0001	-0.0003	-0.0007	-0.0020	HKD	4.8262 5.1766
						KRW	817.66 877.02
AU TWI	61.50					MYR	2.9022 3.1129
AUD/USD	0.6618	0.0006	0.0018	0.0032	0.0050	NOK	6.4226 6.8889
AUD/NZD	1.0722	0.0010	0.0029	0.0057	0.0104	SEK	6.3113 6.7694
AUD/JPY	97.99	-0.38	-1.11	-2.20	-4.29	SGD	0.8230 0.8827
AUD/EUR	0.6048	-0.0007	-0.0006	-0.0017	-0.0055	TWD	19.42 20.83
AUD/GBP	0.5169	0.0004	0.0011	0.0021	0.0030	ZAR	11.54 12.38
USD Index	102.88					<b>EQUITIES</b>	
EUR/USD	1.0940	0.0014	0.0039	0.0084	0.0176		<b>Index</b>
USD/JPY	148.03	-0.71	-2.08	-4.02	-7.47	NZX50	11,804
GBP/USD	1.2800	0.0002	0.0006	0.0008	0.0008	ASX200	7,764
EUR/GBP	0.8546	0.0009	0.0026	0.0058	0.0127	Dow Jones	38,829
						S&P 500	5,156
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,692
			<b>Mid</b>		<b>Mid</b>	DAX 30	17,843
30 day bank bills			5.59%		4.35%	Nikkei	39,599
90 day bank bills			5.65%		4.40%	<b>COMMODITIES</b>	
1 year swap			5.49%		4.19%		<b>USD</b>
2 year swap			5.00%		3.97%	Brent Crude	83.20
3 year swap			4.69%		3.86%	Gold	2,158.09
5 year swap			4.43%		4.03%	Silver	24.38
10 year swap			4.45%		4.28%	Iron Ore	116.96
3 year Govt bond			4.70%		3.66%	CRB Index	320.91
5 year Govt bond			4.54%		3.73%		<b>NZD</b>
10 year Govt bond			4.71%		4.08%	NZ Carbon	69.00

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