

Market Alert

Wednesday 13 March 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6150	-0.0003
NZD/AUD	0.9327	-0.0049
NZD/JPY	90.93	-2.57
NZD/EUR	0.5639	-0.0047
NZD/GBP	0.4807	-0.0007
NZD/CNH	4.4199	-0.0656
AUD/USD	0.6602	0.0033
AUD/EUR	0.6044	-0.0018
EUR/USD	1.0920	0.0084
USD/CNH	7.1869	-0.1036
GBP/USD	1.2787	0.0012
EUR/GBP	0.8539	0.0057

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.69%	4.40%
2 year swap	4.86%	3.93%
10 year Govt	4.64%	4.03%

How about we let the headlines sum it all up?

The FT started with, "US inflation rises to 3.2% highlights 'last mile' challenge for Fed," while the WSJ had, "Inflation uptick unlikely to derail Fed cut later this year. Focus will turn to whether officials expect 3 reductions, or 2," which pretty well sums it all up! Unsurprisingly, CNBC led with "Dow jumps 200 points, Nasdaq rallies 1% as Nvidia, tech shares resume rally!"

We've always acknowledged that this year's inflationary battle will about be cementing in those incremental gains, and that was perfectly illustrated by last night's US CPI print, which saw annual inflation edge up from 3.1% to 3.2% in February. The monthly rate also rose, from 0.3% to 0.4%, with gasoline, having jumped 20% so far this year, and shelter

prices being the main contributors. On a positive note, core inflation eased towards a 3-year low, falling from 3.9% to 3.8%, although it was above forecasts at 3.7%.

The other headline also disappointed, after US SME business optimism fell from 89.9 to 89.4, which was below forecasts at 90.7, UK wage inflation remains elevated at 6.1%, while, from the Antipodean isles, Australian February business confidence 'plummeted' from 1 to 0, although business conditions jumped from 7 to 10. In NZ, electronic retail card spending fell -1.8% in February following January's 1.7% gain. On the year it grew 2.5%.

Despite the slightly pessimistic data releases, financial markets continue to price in between 3 and 4 US rate cuts this calendar year. Essentially, the markets are looking through the inflation report despite treasury yields firming, with the 2 and 10-year both 5bps higher at 4.59% and 4.15% respectively. The USD-index posted a modest gain, with the NZD the worst performer on the day. Equity markets also surged higher, although commodity prices all reacted to selling pressure, to be -0.5% to -1.5% lower on subdued demand from China, which saw iron ore prices fall to a 7-month low after they dropped -6.0%.

Central Bank chit-chat

While the BoJ is mulling a March hike, Governor, Kazuo Ueda, testified before parliament stating, "Japan's economy is recovering moderately, although some

weak data is being seen. Consumption is improving moderately on easing cost-push pressure, with hopes for higher wages. We are focusing on whether a positive wage-inflation cycle is kicking off, in judging whether sustained, stable achievement of our price target is coming into sight."

ECB member, Robert Holzmann, confirmed, "An ECB rate cut is more likely in June than April."

BoE Governor, Andrew Bailey, stated, "The question for now is, for how long do we need to be restrictive? We have seen limited evidence so far of rising unemployment as a condition to reduce inflation. The concerns about embedding of second-round effects have been reduced."

It's no wonder these people get paid the big bucks!

JP Morgan head, Jamie Dimon, announced, "US economy is almost in a kind of boom right now, and the economy is doing fine (although there is) a little bit of a bubble in equity markets right now."

One of the RBA Assistant Governors, Sarah Hunter, warned, "Inflation has been the biggest drag on household consumption. For some households, interest rate hikes are also challenging and difficult, but inflation is the single biggest drag."

Argentina's central bank cut its benchmark interest rate from 100.0% to 80.0%, despite inflation surging from 211.0% to 254.0% ... I didn't think I needed to go to the decimal point but it's important to be consistent!



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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	0.8299	0.8910
NZD/USD	0.6151	0.0000	0.0000	-0.0003	-0.0012	CHF	0.5401	0.5799
NZD/AUD	0.9329	-0.0009	-0.0025	-0.0049	-0.0095	CNY	4.4152	4.7412
NZD/JPY	90.95	-0.46	-1.28	-2.57	-4.81	DKK	4.1985	4.5071
NZD/EUR	0.5640	-0.0007	-0.0022	-0.0047	-0.0104	FJD	1.3519	1.4513
NZD/GBP	0.4809	-0.0001	-0.0003	-0.0007	-0.0021	HKD	4.8116	5.1653
						KRW	806.89	866.20
AU TWI	61.50					MYR	2.8751	3.0864
AUD/USD	0.6602	0.0007	0.0018	0.0033	0.0053	NOK	6.4716	6.9473
AUD/NZD	1.0733	0.0010	0.0028	0.0056	0.0098	SEK	6.2948	6.7574
AUD/JPY	97.42	-0.39	-1.11	-2.23	-4.22	SGD	0.8193	0.8795
AUD/EUR	0.6044	-0.0007	-0.0007	-0.0018	-0.0051	TWD	19.33	20.75
AUD/GBP	0.5161	0.0004	0.0011	0.0020	0.0030	ZAR	11.47	12.31
USD Index	102.98					EQUITIES		
EUR/USD	1.0920	0.0014	0.0040	0.0084	0.0176		Index	
USD/JPY	147.67	-0.74	-2.08	-4.11	-7.52	NZX50	11,829	
GBP/USD	1.2787	0.0002	0.0007	0.0012	0.0022	ASX200	7,713	
EUR/GBP	0.8539	0.0009	0.0026	0.0057	0.0119	Dow Jones	39,065	
						S&P 500	5,168	
INTEREST RATES			New Zealand		Australia	FTSE100	7,748	
			Mid		Mid	DAX 30	17,965	
30 day bank bills			5.59%		4.35%	Nikkei	38,798	
90 day bank bills			5.65%		4.40%	COMMODITIES		
1 year swap			5.40%		4.16%		USD	
2 year swap			4.88%		3.94%	Brent Crude	81.83	
3 year swap			4.57%		3.84%	Gold	2,155.78	
5 year swap			4.34%		4.01%	Silver	24.11	
10 year swap			4.39%		4.25%	Iron Ore	113.00	
3 year Govt bond			4.60%		3.63%	CRB Index	320.99	
5 year Govt bond			4.43%		3.70%		NZD	
10 year Govt bond			4.64%		4.04%	NZ Carbon	68.00	

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