

Market Alert

Tuesday 26 March 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5999	-0.0002
NZD/AUD	0.9176	-0.0046
NZD/JPY	90.88	-2.47
NZD/EUR	0.5536	-0.0045
NZD/GBP	0.4746	-0.0007
NZD/CNH	4.3519	-0.0534
AUD/USD	0.6537	0.0031
AUD/EUR	0.6030	-0.0019
EUR/USD	1.0836	0.0083
USD/CNH	7.2531	-0.0869
GBP/USD	1.2634	0.0013
EUR/GBP	0.8575	0.0055
INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.40%
2 year swap	4.81%	3.95%
10 year Govt	4.60%	4.09%

There wasn't a great deal of excitement last night ...

... but to be fair, last week was quite eventful, so markets are just 'taking a pause' ahead of this week's PCE release.

Equity markets merely repeated Friday's moves, with European bourses posting modest gains, although the US exchanges inched lower. US treasury yields firmed, with the 2 and 10-years 4bps and 6bps higher, to yield 4.63% and 4.26% respectively, as the market appeared to absorb the USD66bn in 2-year note issue without any problems. In FX markets, the USD-index gave up some of last week's gains, falling -0.3%, although the NZD continues to struggle for momentum and remains flat against the USD, and fell -0.4% against the AUD, emphasising it currently has no friends at

all. Interestingly, AUD market positioning is at a multi-decade low with short sellers, although NZD positioning is flat. Finally, commodity markets had a positive session with oil prices 1.5% higher.

The overnight releases saw a slight increase in economic growth after the Chicago Fed activity index edge up to a 3-month high at 0.1, following January's downwardly revised -0.5, although this was contradicted to some extent by the Dallas Fed's manufacturing index which decreased -3.1 pips from -11.3 to -14.4 in March.

Following yesterday's announcement by Raphael Bostic that he'd lowered his 2024 rate call to 1-cut from 2, overnight he added, "I expect the economy and inflation to slow gradually." Raphael's Chicago colleague, Austan Goolsbee, then added, "We're in a bit of a murky period with inflation. It doesn't feel like anything has fundamentally changed (but) we need to see progress in inflation coming down."

Most of yesterday's action centred on the Chinese open, when Premier, Li Qiang, confirmed, "We aim to increase domestic demand. China's low inflation, low central government debt ratio means there is ample room for macro policy. We are planning issuance of ultralong special treasury bonds worth Yuan1trn yuan to effectively stimulate investment and stabilize economic growth. Measures taken to defuse property and debt risks have proven effective. We are working to prevent system risks, push for long-term and healthy development of China's economy." And

bang on que, we had the major Chinese state banks selling USD/CNY, which also provided a modest boost for AUD/USD and NZD/USD.

Japan's highest ranking FX official at its Ministry of Finance, Masato Kanda, warned "We have been closely watching FX moves with high sense of urgency. We will take appropriate steps to respond to excessive weakness of yen without excluding any measures. The Yen's current weakness is due to speculation, not reflecting fundamentals."

Last, but by no means least, US Presidential candidate, Donald Trump, enjoyed a 'win' in one of his many trials, with the bond for his New York fraud case cut to USD175m from USD454m on appeal.

YAY!

Finally! After a pretty dismal showing from most NZX constituents in recent months, the NZX 50 closed at a 10-month high yesterday, after climbing for the fifth consecutive session.

BOO!

Chocolate just got more expensive after cocoa futures soared to a fresh record high at USD9,400 a ton, extending the March gains to about 45%, following a poor harvest in Ivory Coast, one of the top cocoa producing countries!



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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	70.50					CAD	0.8149 0.8881
NZD/USD	0.5999	0.0000	0.0000	-0.0002	-0.0005	CHF	0.5392 0.5876
NZD/AUD	0.9176	-0.0009	-0.0024	-0.0046	-0.0080	CNY	4.3281 4.7145
NZD/JPY	90.88	-0.47	-1.26	-2.47	-4.62	DKK	4.1280 4.4982
NZD/EUR	0.5536	-0.0007	-0.0021	-0.0045	-0.0096	FJD	1.3511 1.4723
NZD/GBP	0.4746	-0.0001	-0.0003	-0.0007	-0.0017	HKD	4.6921 5.1129
						KRW	803.88 875.98
AU TWI	61.40					MYR	2.8333 3.0874
AUD/USD	0.6537	0.0006	0.0016	0.0031	0.0048	NOK	6.4252 7.0014
AUD/NZD	1.0893	0.0009	0.0026	0.0052	0.0088	SEK	6.3426 6.9114
AUD/JPY	99.01	-0.42	-1.13	-2.21	-4.23	SGD	0.8071 0.8795
AUD/EUR	0.6030	-0.0003	-0.0008	-0.0019	-0.0054	TWD	19.10 20.81
AUD/GBP	0.5171	0.0004	0.0010	0.0018	0.0026	ZAR	11.34 12.36
USD Index	104.23					EQUITIES	
EUR/USD	1.0836	0.0014	0.0040	0.0083	0.0175		Index
USD/JPY	151.47	-0.79	-2.10	-4.07	-7.58	NZX50	12,067
GBP/USD	1.2634	0.0002	0.0005	0.0013	0.0028	ASX200	7,812
EUR/GBP	0.8575	0.0009	0.0026	0.0055	0.0118	Dow Jones	39,304
INTEREST		New Zealand		Australia		S&P 500	5,224
RATES		Mid		Mid		FTSE100	7,918
30 day bank bills			5.59%		4.35%	DAX 30	18,261
90 day bank bills			5.64%		4.40%	Nikkei	40,414
1 year swap			5.34%		4.17%	COMMODITIES	
2 year swap			4.83%		3.96%		USD
3 year swap			4.52%		3.86%	Brent Crude	86.81
5 year swap			4.30%		4.04%	Gold	2,171.89
10 year swap			4.36%		4.31%	Silver	24.68
3 year Govt bond			4.51%		3.66%	Iron Ore	110.64
5 year Govt bond			4.37%		3.72%	CRB Index	334.32
10 year Govt bond			4.60%		4.08%		NZD
						NZ Carbon	55.40

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