

# Market Alert

Tuesday 28 May 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6153	-0.0002
NZD/AUD	0.9243	-0.0050
NZD/JPY	96.525	-2.65
NZD/EUR	0.5666	-0.0052
NZD/GBP	0.4818	-0.0008
NZD/CNH	4.4657	-0.0650
AUD/USD	0.6655	0.0032
AUD/EUR	0.6127	-0.0024
EUR/USD	1.0857	0.0093
USD/CNH	7.2591	-0.1029
GBP/USD	1.2770	0.0011
EUR/GBP	0.8501	0.0062

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.39%
2 year swap	5.12%	4.19%
10 year Govt	4.84%	4.36%

## The plan was good... conceptually

... but the execution was awful! The plan for an alcohol free week cracked and died at the first hurdle ... a glass of wine with dinner was just too tempting to ignore!

## Speaking of tempting ...

... the antipodean currencies appeared to be too good to ignore as both were bid higher overnight in what was a broad risk-off session for the USD-index. Ultimately the USD, NZD and AUD all remain range bound with little momentum given the US and UK public holiday's overnight, with the catalyst for a break most likely to be a surprise from this weeks PCE report.

At least there was some excitement in bond markets after the 10-year Japanese bond, the JGB, rose 2bps to reach its

highest level in 12-years at 1.02%! With the US market closed, 2 and 10-year treasury yields firmed 1bps to 4.96% and 4.47%.

Equity and commodity markets were quiet as they locked in modest gains.

## Looking at the data ...

The German IFO business climate indicator held steady at 89.3 in May, although it was below forecasts at 90.4. Meanwhile, the current conditions sub-index also declined to 88.3 although expectations improved to 90.4.

ECB Governing Council member, Francois Villeroy de Galhau, confirmed, "A June rate cut is a done deal barring any surprises. We should not commit to anything for July. There is significant room for rate cuts. Personally, for me, services inflation matters more than wages."

ECB Chief Economist, Philip Lane, warned the full impact of the hiking cycle has yet to be fully felt explaining, "While the impact of the tightening cycle on economic activity might have reached its maximum level at the turn of this year, model-based analysis suggests that the bulk of the impact on inflation is comparatively backloaded, with substantial pass-through still expected to transpire in the period ahead! We think inflation in coming months will bounce around current level. There is a risk to easing policy stance too quickly."

BoJ Governor, Kazuo Ueda, announced, "We have made progress in moving away from 0.0% and lifting inflation expectations, but we must now re-anchor them, this

time at the 2.0% target. The absence of significant interest rate movements poses a considerable obstacle in assessing the economy's response to changes in interest rates." BoJ Deputy Governor, Shinichi Uchida, then added, "The battle against deflation is in sight," adding that "wages are likely to continue increasing," while Ex-BoJ member, Takako Masai, then announced "The BoJ has room to hike to 0.50% by year end if conditions remain unchanged."

Really? UK PM, Rishi Sunak, has pledged GBP2.5bn to bring back national service that would compel 18-year-olds into military or community duties.

A name from the past ... Bill Gross announced that a Donald Trump victory would be more disruptive for bond markets than a Joe Biden win.

## The future is all nuclear!

The FT has a report claiming Switzerland has approved a plan to slash the amount of radioactive waste it produces from its atomic power plants claiming, "The technology, which is known as 'nuclear transmutation' could cut the volume of highly radioactive waste from nuclear power plants by 80% and would also reduce the time it remains radioactive to 'less than 500 years' from hundreds of thousands of years!"

This is not good ... An Egyptian soldier has been killed in an exchange of gunfire with Israeli soldiers.

The US has banned imports of some Australian poultry products after the detection of avian flu.



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# Daily Rates

Tuesday 28 May 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.20					CAD	0.8383	0.9074
NZD/USD	0.6153	0.0000	0.0000	-0.0002	-0.0007	CHF	0.5618	0.6081
NZD/AUD	0.9243	-0.0009	-0.0025	-0.0050	-0.0087	CNY	4.4558	4.8209
NZD/JPY	96.525	-0.43	-1.34	-2.65	-5.04	DKK	4.2260	4.5723
NZD/EUR	0.5666	-0.0007	-0.0025	-0.0052	-0.0108	FJD	1.3501	1.4607
NZD/GBP	0.4818	-0.0001	-0.0003	-0.0008	-0.0017	HKD	4.8018	5.1952
						KRW	837.06	905.65
AU TWI	62.90					MYR	2.8879	3.1245
AUD/USD	0.6655	0.0006	0.0018	0.0032	0.0055	NOK	6.4541	6.9829
AUD/NZD	1.0819	0.0010	0.0028	0.0054	0.0096	SEK	6.5263	7.0611
AUD/JPY	104.41	-0.38	-1.18	-2.33	-4.62	SGD	0.8293	0.8973
AUD/EUR	0.6127	-0.0002	-0.0010	-0.0024	-0.0066	TWD	19.79	21.41
AUD/GBP	0.5210	0.0004	0.0010	0.0019	0.0024	ZAR	11.28	12.21
USD Index	104.59					<b>EQUITIES</b>		
EUR/USD	1.0857	0.0014	0.0044	0.0093	0.0188		<b>Index</b>	
USD/JPY	156.87	-0.72	-2.18	-4.24	-8.03	NZX50	11,756	
GBP/USD	1.2770	0.0002	0.0004	0.0011	0.0020	ASX200	7,788	
EUR/GBP	0.8501	0.0010	0.0029	0.0062	0.0123	Dow Jones	39,070	
						S&P 500	5,304	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	8,318	
			<b>Mid</b>		<b>Mid</b>	DAX 30	18,775	
30 day bank bills			5.60%		4.34%	Nikkei	38,900	
90 day bank bills			5.63%		4.39%	<b>COMMODITIES</b>		
1 year swap			5.51%		4.33%		<b>USD</b>	
2 year swap			5.13%		4.20%	Brent Crude	83.04	
3 year swap			4.84%		4.11%	Gold	2,350.74	
5 year swap			4.61%		4.25%	Silver	31.68	
10 year swap			4.62%		4.45%	Iron Ore	117.66	
3 year Govt bond			4.78%		4.01%	CRB Index	343.51	
5 year Govt bond			4.68%		4.06%		<b>NZD</b>	
10 year Govt bond			4.84%		4.37%	NZ Carbon	44.63	

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