

Market Alert

Wednesday 12 June 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6143	-0.0002
NZD/AUD	0.9298	-0.0048
NZD/JPY	96.500	-2.62
NZD/EUR	0.5719	-0.0052
NZD/GBP	0.4821	-0.0008
NZD/CNH	4.4680	-0.0626
AUD/USD	0.6605	0.0031
AUD/EUR	0.6149	-0.0025
EUR/USD	1.0738	0.0093
USD/CNH	7.2713	-0.0990
GBP/USD	1.2738	0.0014
EUR/GBP	0.8428	0.0062

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.66%	4.41%
2 year swap	5.03%	4.19%
10 year Govt	4.81%	4.40%

Despite there being a lack of tier data last night ...

... it was an interesting session. French markets were pummelled as rumours swirled around President Emmanuel Macron's future and, in a typical 'dead man walking' rebut, he advised his position as President would not be affected should the right-wing candidate, Marine Le Pen, win the snap election.

The yield on the US 10-year Treasury fell to -6bps to 4.40% after the successful auction of USD39bn of 10-year bonds which attracted a bid/cover ratio of 2.67, the highest since February 2022, while the tail was at -2bps against the 6-month average at 1.1bps! This weighed on yields across the curve, with the 2-years falling -5bps to 4.84%, which will ultimately see lower local swap rates on our open this morning.

But this is where the contradictions began as, despite the lower yields, the USD-index actually rallied for the 3rd session as it closes in on the 105.25 level, its highest level in a month ahead of tomorrow morning's FOMC update, although, counter-intuitively, the NZD/USD also firmed overnight to the 0.6150 level while the NZD/AUD is back at the 0.9300 level. The EUR came under selling pressure falling below the 1.0750 level, while the CNY fell to its lowest level since mid-November, before Chinese state-owned banks were seen entering the market selling USD/CNY. Equities were weaker while commodities were mixed.

Looking at the tier 2 releases ...

US small-business optimism, the NFIB sentiment index, climbed 0.8 point to 90.5 in May to reach its highest level this year.

Now we know where to go for that pay-rise ... the UK after 'regular pay', which excludes bonuses, rallied 6.0% in Q1.

Australian business are taking a more pessimistic outlook after May business confidence plummeted to -3, although there was a mild positive after the April print was revised higher to 2. Business conditions were also revised lower, from 7 to 6. The inflation indications were not encouraging either with quarterly retail prices jumping from 1.0% to 1.6% while labour and purchasing costs up 2.3% and 1.9% respectively.

ECB and bank of Ireland Governor, Gabriel Makhlof, confusingly announced, "I'm not uncomfortable with

little more than market pricing of one rate cut this year and 90bps by the end of 2025. Future rate decisions are not just about wages, we need to keep close eye on particular risks from global and European conflicts." It's all Dutch to me! French colleague, François Villeroy de Galhau, added, "We are gradually emerging from inflationary crisis," while the ECB chief economist, Nathan Lane added, "The ECB will be agile on rates as the data comes in."

Pimco warned a surge of regional bank failures is 'just around the corner' warning, "The real wave of distress is just starting amid a concentration of troubled commercial real estate loans on some lenders' books." And if you were worried about the re-sale value of your house, spare a thought for home-owners in Hong Kong where the 5-year decline in property prices has erased an estimated USD270bn from real estate values.

So much for the impact of the Greens ... OPEC has forecast the demand for oil will continue to strengthen throughout the year with a projected year-on-year increase of 2.3 million b/d in 2Q, up about 150,000 from 1Q!

Doesn't this highlight the real issue?

Hunter Biden, son of President Joe Biden, was found guilty of gun charges in a federal court jury trial ... but it's not the fact he brought the gun that was the issue, he's been found guilty because he didn't declare he was addicted to crack at the time of said purchase!



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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	72.30					CAD	0.8451 0.9087
NZD/USD	0.6145	0.0000	0.0000	-0.0002	-0.0008	CHF	0.5512 0.5929
NZD/AUD	0.9303	-0.0009	-0.0025	-0.0048	-0.0081	CNY	4.4468 4.7859
NZD/JPY	96.540	-0.49	-1.34	-2.62	-4.99	DKK	4.2659 4.5867
NZD/EUR	0.5722	-0.0009	-0.0025	-0.0052	-0.0105	FJD	1.3546 1.4564
NZD/GBP	0.4824	-0.0001	-0.0003	-0.0008	-0.0016	HKD	4.7994 5.1604
						KRW	846.21 909.85
AU TWI	62.80					MYR	2.8977 3.1156
AUD/USD	0.6605	0.0006	0.0017	0.0031	0.0048	NOK	6.5674 7.0613
AUD/NZD	1.0749	0.0010	0.0028	0.0052	0.0086	SEK	6.4409 6.9253
AUD/JPY	103.78	-0.43	-1.17	-2.30	-4.51	SGD	0.8310 0.8935
AUD/EUR	0.6149	-0.0004	-0.0011	-0.0025	-0.0060	TWD	19.87 21.37
AUD/GBP	0.5184	0.0004	0.0010	0.0018	0.0028	ZAR	11.40 12.26
USD Index	105.26					EQUITIES	
EUR/USD	1.0738	0.0016	0.0046	0.0093	0.0185		Index
USD/JPY	157.09	-0.79	-2.17	-4.20	-7.93	NZX50	11,785
GBP/USD	1.2738	0.0002	0.0007	0.0014	0.0018	ASX200	7,755
EUR/GBP	0.8428	0.0011	0.0031	0.0062	0.0127	Dow Jones	38,747
						S&P 500	5,371
INTEREST RATES			New Zealand		Australia	FTSE100	8,148
			Mid		Mid	DAX 30	18,370
30 day bank bills			5.60%		4.34%	Nikkei	39,135
90 day bank bills			5.62%		4.41%	COMMODITIES	
1 year swap			5.45%		4.34%		USD
2 year swap			5.05%		4.20%	Brent Crude	81.85
3 year swap			4.78%		4.09%	Gold	2,315.51
5 year swap			4.56%		4.25%	Silver	29.23
10 year swap			4.59%		4.47%	Iron Ore	107.38
3 year Govt bond			4.77%		4.03%	CRB Index	342.62
5 year Govt bond			4.66%		4.10%		NZD
10 year Govt bond			4.81%		4.42%	NZ Carbon	51.00

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