

Market Alert

Monday 17 January 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6814	-0.0027
NZD/AUD	0.9447	-0.0046
NZD/JPY	77.78	-0.52
NZD/EUR	0.5963	-0.0052
NZD/GBP	0.4982	-0.0015
NZD/CNH	4.3289	0.0287
AUD/USD	0.7213	0.0007
AUD/EUR	0.6318	-0.0025
EUR/USD	1.1416	0.0055
USD/CNH	6.3537	0.0675
GBP/USD	1.3678	-0.0013
EUR/GBP	0.8347	0.0048

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	0.97%	0.07%
2 year swap	2.21%	1.06%
10 year Govt	2.51%	1.85%

Has anything really changed?

Welcome to 2022 but, in reality, what has really changed?

Recently, a large number of Wall Street analysts have revised their 2022 expectations for US monetary policy to include 4, and in some cases 5, interest rate increases, and the possible beginning of a reduction in the Federal Reserve's balance sheet.

This revised outlook is consistent not only with high and persistent headline inflation, but also strong monthly wage growth, and low unemployment.

If anything, these pressures have only intensified over the last 4 weeks with Federal Reserve Governor, Lael Brainard, signalling the central bank could raise rates as early as March as *"The committee has projected several hikes over the course of the year."*

Fed NY President John Williams then added, *"inflation is too high, and the central bank will work to bring it back down to its 2% target,"* while his San Francisco counterpart Mary Daly added officials are *"going to have to adjust policy."*

In fact, even the billionaires have been talking up a storm with JPMorgan CEO Jamie Diamond suggesting the Fed may raise interest rates up to 7 times this year while Bill Ackman, CEO of Pershing Square Capital Management, tweeted, *"while it is conventional wisdom the Federal Reserve will raise rates 3 to 4 times this year in 25 bp increments, the Fed could work to restore credibility with an initial 50 bps surprise move to shock and awe the market!"*

In actual US data, retail sales sank -1.9% in December to record the index's largest decline since February 2021 ending four straight months of strong growth, while the University of Michigan consumer sentiment fell to 68.8 hitting its second lowest level in a decade. In Germany, GDP hit +2.7 in 2021 as the economy bounced back from its -4.6% contraction in 2020, as activity and demand rebounded from the initial COVID hit.

Globally, house prices have now cemented in their gains for the calendar year although Chinese house prices increased by a modest +2.6% in the year to December, which was below the +3.0% expected. This was the weakest rise in Chinese new home prices since January 2016 as Chinese officials continue to engineer a soft domestic landing amid the Evergrande hit.

Boo-hoo

And, as is always the case, it's time to feel sorry for yet another very wealthy sportsman after the Australian Federal Court upheld its decision to revoke Novak Djokovic's Australian entry permit. Oh well, I guess he'll have to wait a few more tournaments before he wins his 21st major!

So, there are plenty of warnings as we enter 2022, with most major economies looking to decrease fiscal stimulus and increase interest rates amid a cautious return to 'normal'. Without doubt, there will be plenty of 'swings' within the financial markets this year as the headlines lurch from one extreme to another, but always remember, your friendly treasury advisor is always on-hand to provide a rationale for the moves and to provide some structure and advice for those pesky exposures.

Good luck, and hey, let's be careful out there!



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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	72.86					CAD	0.8563	0.9064
NZD/USD	0.6814	-0.0003	-0.0011	-0.0027	-0.0070	CHF	0.6221	0.6585
NZD/AUD	0.9447	-0.0005	-0.0019	-0.0046	-0.0107	CNY	4.3273	4.5806
NZD/JPY	77.78	-0.05	-0.20	-0.52	-1.48	DKK	4.4417	4.7017
NZD/EUR	0.5963	-0.0006	-0.0022	-0.0052	-0.0134	FJD	1.4457	1.5303
NZD/GBP	0.4982	-0.0001	-0.0006	-0.0015	-0.0043	HKD	5.2932	5.6030
						KRW	808.29	855.61
AU TWI	61.00					MYR	2.8646	3.0323
AUD/USD	0.7213	0.0001	0.0003	0.0007	0.0008	NOK	5.9734	6.3230
AUD/NZD	1.0585	0.0005	0.0021	0.0052	0.0122	SEK	6.1344	6.4935
AUD/JPY	82.34	-0.01	-0.04	-0.15	-0.64	SGD	0.9177	0.9714
AUD/EUR	0.6318	-0.0004	-0.0010	-0.0025	-0.0070	TWD	18.74	19.84
AUD/GBP	0.5273	0.0001	0.0004	0.0010	0.0015	ZAR	10.4800	11.0934
USD Index	95.17					EQUITIES		
EUR/USD	1.1416	0.0008	0.0024	0.0055	0.0141		Index	
USD/JPY	114.16	-0.03	-0.11	-0.31	-1.01	NZX50	12,790	
GBP/USD	1.3678	-0.0002	-0.0006	-0.0013	-0.0024	ASX200	7,394	
EUR/GBP	0.8347	0.0007	0.0021	0.0048	0.0118	Dow Jones	35,912	
						S&P 500	4,663	
						FTSE100	7,543	
						DAX 30	15,883	
						Nikkei	28,124	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.82%	0.80%	0.02%	0.02%	Dubai Light	83.38	
90 day bank bills		1.00%	0.97%	0.09%	0.05%	Brent Crude	86.06	
FRA 90d in 3mths		1.61%	1.58%	0.32%	0.29%	Gold	1,817.60	
FRA 180d in 6mths		2.21%	2.18%	0.88%	0.86%	Silver	22.94	
1 year swap		1.80%	1.77%	0.49%	0.49%	CRB Index	260.91	
2 year swap		2.22%	2.19%	1.07%	1.05%		NZD	
3 year swap		2.46%	2.44%	1.43%	1.41%	NZ Carbon	72.00	
5 year swap		2.62%	2.60%	1.74%	1.64%			
10 year swap		2.75%	2.72%	2.15%	2.14%			
10 year Govt bond			2.49%		1.85%			

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