

Market Alert

Wednesday 19 January 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6768	-0.0026
NZD/AUD	0.9421	-0.0046
NZD/JPY	77.53	-0.53
NZD/EUR	0.5974	-0.0053
NZD/GBP	0.4980	-0.0015
NZD/CNH	4.3044	0.0258
AUD/USD	0.7184	0.0007
AUD/EUR	0.6341	-0.0026
EUR/USD	1.1329	0.0058
USD/CNH	6.3607	0.0632
GBP/USD	1.3591	-0.0011
EUR/GBP	0.8336	0.0049

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.05%	0.07%
2 year swap	2.28%	1.14%
10 year Govt	2.55%	1.95%

Risks are starting to multiply

According to one of the local banks, New Zealand's capacity constraints and cost pressures are creating huge supply chain issues with the added suggestion "As inflation pressures continue to exceed expectations, it only increases the likelihood that the RBNZ will feel the need to signal and then deliver more hikes."

Meanwhile, the NZ Q4 QSBO business survey saw headline confidence fall to -28% from -11%, while capacity utilisation eased to 89.5% from 96.1% as the COVID-19 outbreak dragged on.

Finally, the REINZ house price index showed prices rose 23.3% in the year to

December, although the index decreased 1.0% from its November price. To add to the positive news, with the GDT auction results out, we saw an increase in GDT price index by 4.6%. This saw whole milk powder rise by 5.6% and butter grow by 5.0%. Skim milk powder also grew by 5.0% and cheddar remained stable with a 1.1% increase.

Australian consumer confidence imploded last week as the explosion in COVID-19 cases triggered self imposed lockdowns which squashed spending and exasperated supply chain constraints. Consumer sentiment fell 7.6% to its lowest level since October 2020 at 97.9 from the previous weeks 106.0

Most of the US data overnight was second tier with the Fed's Empire manufacturing turning negative by 0.7 against the expected 25.0. Meanwhile, the NAHB housing index was slightly behind expectations at 83.

China's state planner announced the economy faces 'not small' challenges in 2022, when international trade expects some big uncertainties while the erratic COVID-19 outbreaks directly weigh on consumption and investment growth.

The BoJ left its key short-term interest rate unchanged at -0.1% and the 10-year bond yield target around 0.0% yesterday in an 8-1 vote, as expected. Furthermore, in their quarterly update the central bank raised its inflation forecasts for FY April 2022-2023 to 1.1% from October's 0.9%, due to the rising costs of energy and raw materials.

The BoJ also revised higher their FY 2022 growth to 3.8% from its earlier projection of 2.9%, although they lowered the GDP growth for the current FY to 2.8% from 3.4%.

The German ZEW economic sentiment index jumped 22.6 to 51.7 in January, which was 22.6 points higher than the December print and well above market expectations of 32.0.

Commodities and bond yields catch a bid

Brent crude hit a 7 year high, trading above the USD85.00 per barrel. At one stage, the bull run in oil prices showed no signs of slowing, amid concerns over supply tightness. Naturally, Goldman's raised their crude forecasts to USD96 and USD105 for 2022 and 2023.

International equities fell across the board and treasury yields surged amid a ramp-up in speculation that central banks will have to boost interest rates sooner than anticipated. European markets were broadly off by 1.0% while the US markets are almost 2.0% lower. The real action was in the bond markets with the futures market now pricing in a 5% chance of a 50 bps hike by the Fed at their March meeting and a 11% chance of 1.50% Fed Funds rate by the end of 2022. The US 10-Year yield is now up to 1.86% after it blasted through the 1.80% level, and it targets 2.0%, which saw the USD rally for its 4th straight session. The Euro shorts got squeezed while the NZD and AUD suffered.



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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	72.54					CAD	0.8482	0.9003
NZD/USD	0.6768	-0.0003	-0.0011	-0.0026	-0.0070	CHF	0.6205	0.6586
NZD/AUD	0.9421	-0.0005	-0.0019	-0.0046	-0.0108	CNY	4.2994	4.5636
NZD/JPY	77.53	-0.05	-0.20	-0.53	-1.52	DKK	4.4459	4.7191
NZD/EUR	0.5974	-0.0006	-0.0022	-0.0053	-0.0138	FJD	1.4277	1.5154
NZD/GBP	0.4980	-0.0001	-0.0006	-0.0015	-0.0044	HKD	5.2730	5.5971
						KRW	805.42	854.92
AU TWI	60.40					MYR	2.8330	3.0071
AUD/USD	0.7184	0.0001	0.0003	0.0007	0.0009	NOK	5.9633	6.3298
AUD/NZD	1.0615	0.0005	0.0021	0.0052	0.0124	SEK	6.1855	6.5657
AUD/JPY	82.30	-0.01	-0.05	-0.16	-0.67	SGD	0.9142	0.9704
AUD/EUR	0.6341	-0.0004	-0.0011	-0.0026	-0.0074	TWD	18.67	19.82
AUD/GBP	0.5286	0.0001	0.0004	0.0010	0.0014	ZAR	10.4917	11.1365
USD Index	95.76					EQUITIES		
EUR/USD	1.1329	0.0008	0.0024	0.0058	0.0148		Index	
USD/JPY	114.57	-0.03	-0.12	-0.33	-1.07	NZX50	12,814	
GBP/USD	1.3591	-0.0002	-0.0005	-0.0011	-0.0020	ASX200	7,409	
EUR/GBP	0.8336	0.0007	0.0021	0.0049	0.0121	Dow Jones	35,422	
						S&P 500	4,582	
						FTSE100	7,564	
						DAX 30	15,773	
						Nikkei	28,257	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.85%	0.82%	0.02%	0.02%	Dubai Light	85.72	
90 day bank bills		1.08%	1.05%	0.09%	0.05%	Brent Crude	87.45	
FRA 90d in 3mths		1.65%	1.62%	0.35%	0.32%	Gold	1,815.06	
FRA 180d in 6mths		2.28%	2.23%	0.95%	0.94%	Silver	23.50	
1 year swap		1.81%	1.78%	0.53%	0.53%	CRB Index	260.91	
2 year swap		2.29%	2.27%	1.15%	1.12%		NZD	
3 year swap		2.52%	2.50%	1.52%	1.49%	NZ Carbon	72.25	
5 year swap		2.69%	2.67%	1.81%	1.71%			
10 year swap		2.82%	2.79%	2.23%	2.23%			
10 year Govt bond			2.53%		1.95%			

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