

# Market Alert

Thursday 20 January 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6795	-0.0028
NZD/AUD	0.9401	-0.0048
NZD/JPY	77.65	-0.54
NZD/EUR	0.5987	-0.0054
NZD/GBP	0.4987	-0.0015
NZD/CNH	4.3143	0.0262
AUD/USD	0.7228	0.0007
AUD/EUR	0.6369	-0.0026
EUR/USD	1.1349	0.0057
USD/CNH	6.3496	0.0647
GBP/USD	1.3627	-0.0014
EUR/GBP	0.8328	0.0051

  

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.05%	0.07%
2 year swap	2.41%	1.13%
10 year Govt	2.61%	2.00%

## Can I have a tenner each way, please?

In New Zealand, we now have a second local bank forecasting the OCR will peak at 3.0%. The bank stated, "with the inflationary global supply-side disruptions ongoing, domestic inflation pressures, and in particular the ongoing tightness in labour supply, that explains our change in view." Although there was a caveat, "there's a decent risk the OCR won't get to even 2% before something derails the hiking cycle." This saw the NZ 10-year yield jump 6bps to 2.61% while the NZD firmed

from 0.6765 base. In other NZ news, December card spending, which covers around 68% of core retail sales, rose 0.4% on the month against an expected 2.3% contraction, which means everyone had a good Christmas.

In the US, the Atlanta Fed GDP estimate ticked up to 5.1% from 5.0%, while housing starts unexpectedly increased 1.4% in December. We also had Anna Wong, Chief US Economist at Bloomberg, announce, "Our in-house model of a Fed reaction function suggests that a 50 basis-point rate hike at the March meeting is warranted, followed by another five 25 basis-point rate hikes the rest of the year." While this may seem excessive, the simple fact is that of the 4 hiking cycles undertaken by the Fed since they first announced the Fed funds rate in 1994, the central bank has never started a hiking-cycle with a 50bps increase. To this extent, any hike of more than 25bps would be historically unprecedented.

A Reuters poll of bank analysis suggests the Eurozone economy will grow at 0.5% in Q1, 1.1% in Q2, and 0.9% in Q3 while Eurozone inflation is projected to be at 3.0% in 2022, 1.7% in 2023, 1.8% in 2024.

In what was the index's highest reading since March 1992, annual inflation in the UK increased to 5.4% in December from 5.1% in November, this was slightly above the market forecasts of 5.2%. This led

BoE Governor, Andrew Bailey, to signal the UK's inflation outlook is likely to worsen as, "there is a concern that inflation expectations (have) become embedded." Meanwhile Canada's headline inflation rate accelerated to 4.8% in December from 4.7% in November, in what was the steepest increase since September 1991.

## The panic, the cartel is happy

The cartel that is OPEC has reported its views on the outlook for oil, and they must be happy because they are forecasting demand growth to remain as robust as ever while the rising interest rate environment is not expected to subdue oil demand.

Equity markets flat, and attention turns to the bond markets where the US 10-year treasury appears to be setting the groundwork for a crack at the 2.0% level as it consolidates at 1.82%, which saw the German 10-year yield turn positive at one stage during the overnight session, for the first time since 2019 no less, although it eased back to close at -0.01%.

The movement in bonds allowed the USD to take a pause, which saw the NZD, AUD and EUR all rebound from yesterday's lows. Lastly, will today's AUD employment numbers finally be the catalyst for NZD/AUD to break below the 0.9400 level?



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# Daily Rates

Thursday 20 January 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.68					CAD	0.8488	0.9028
NZD/USD	0.6795	-0.0003	-0.0011	-0.0028	-0.0074	CHF	0.6223	0.6620
NZD/AUD	0.9401	-0.0005	-0.0019	-0.0048	-0.0112	CNY	4.3112	4.5859
NZD/JPY	77.65	-0.05	-0.20	-0.54	-1.56	DKK	4.4565	4.7405
NZD/EUR	0.5987	-0.0006	-0.0022	-0.0054	-0.0141	FJD	1.4360	1.5275
NZD/GBP	0.4987	-0.0001	-0.0006	-0.0015	-0.0045	HKD	5.2932	5.6305
						KRW	809.53	861.11
AU TWI	60.40					MYR	2.8473	3.0287
AUD/USD	0.7228	0.0001	0.0003	0.0007	0.0008	NOK	5.9557	6.3351
AUD/NZD	1.0637	0.0005	0.0021	0.0054	0.0129	SEK	6.1824	6.5763
AUD/JPY	82.60	-0.01	-0.05	-0.16	-0.68	SGD	0.9154	0.9737
AUD/EUR	0.6369	-0.0003	-0.0011	-0.0026	-0.0075	TWD	18.78	19.98
AUD/GBP	0.5304	0.0001	0.0005	0.0011	0.0016	ZAR	10.3958	11.0581
USD Index	95.52					<b>EQUITIES</b>		
EUR/USD	1.1349	0.0007	0.0024	0.0057	0.0148		<b>Index</b>	
USD/JPY	114.29	-0.03	-0.12	-0.33	-1.07	NZX50	12,612	
GBP/USD	1.3627	-0.0002	-0.0006	-0.0014	-0.0027	ASX200	7,332	
EUR/GBP	0.8328	0.0007	0.0021	0.0051	0.0125	Dow Jones	35,326	
						S&P 500	4,582	
						FTSE100	7,590	
						DAX 30	15,810	
						Nikkei	27,467	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		<b>COMMODITIES</b>		
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>		<b>USD</b>	
30 day bank bills		0.86%	0.82%	0.02%	0.02%	Dubai Light	86.55	
90 day bank bills		1.09%	1.05%	0.09%	0.05%	Brent Crude	88.24	
FRA 90d in 3mths		1.74%	1.70%	0.34%	0.31%	Gold	1,841.46	
FRA 180d in 6mths		2.40%	2.37%	0.94%	0.92%	Silver	24.14	
1 year swap		1.89%	1.87%	0.54%	0.54%	CRB Index	262.65	
2 year swap		2.42%	2.40%	1.15%	1.11%		<b>NZD</b>	
3 year swap		2.65%	2.63%	1.51%	1.47%	NZ Carbon	73.35	
5 year swap		2.79%	2.77%	1.82%	1.81%			
10 year swap		2.87%	2.85%	2.21%	2.19%			
10 year Govt bond			2.60%		2.00%			

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