

Market Alert

Tuesday 15 February 2022

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6608 | -0.0022 |
| NZD/AUD | 0.9288 | -0.0054 |
| NZD/JPY | 76.25 | -0.63 |
| NZD/EUR | 0.5850 | -0.0059 |
| NZD/GBP | 0.4887 | -0.0008 |
| NZD/CNH | 4.2011 | 0.0259 |
| AUD/USD | 0.7115 | 0.0018 |
| AUD/EUR | 0.6299 | -0.0027 |
| EUR/USD | 1.1296 | 0.0076 |
| USD/CNH | 6.3578 | 0.0604 |
| GBP/USD | 1.3524 | -0.0022 |
| EUR/GBP | 0.8352 | 0.0070 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 0.75% | 0.10% |
| 90 day bills | 1.21% | 0.07% |
| 2 year swap | 2.55% | 1.50% |
| 10 year Govt | 2.78% | 2.14% |

Maybe it is transitory, after all

Well, let's not get too carried away just yet after the New York Federal Reserve's US inflation expectations fell for the first time in 14 months to 5.8% in January from 6.0% in the 2 prior months. Similarly, 3 year expectations decreased by 0.5% to 3.5%, in what was its largest decline since 2013.

In the Euro-zone, Gabriel Makhoul, the head of the Irish central bank and a member of the ECB, stated an ECB rate hike in June is "unrealistic." He then added the ECB may stop net bond purchases in

June, or a few months later, after which it would contemplate raising rates. He was "reasonably confident" the ECB's bond-buying program would end this year as well.

Meanwhile, Gabriel's boss, ECB President, Christine Lagarde, didn't really add anything new when she stated, "There are signs that bottlenecks may be starting to ease. While inflation likely to remain high in the near term we continue to see risks to the outlook as broadly balanced over medium term. Risks to the inflation outlook are tilted to the upside, particularly in the near term. Bottlenecks will persist for some time, but we will take action at the right time to achieve inflation target."

In little old New Zealand, January services PMI plummeted to 45.9 from 49.7. It was the index's lowest headline number since October 2021 and the 6th consecutive month of contraction, which last happened in 2008 during the GFC.

Looking into the detail, new orders/business (41.8) and activity/sales (44.1) both experienced a significant drop in activity levels with employment (48.1) at its lowest point since January 2021.

And if that wasn't bad enough, food price inflation increased in January by +2.7% when a +0.4% was expected, as the index hit its highest level in 5 years. On an interesting side note, the price of food makes up just under 20% of the NZ CPI.

The top prize goes to the NZD

for being the worst performer on the day!

With speculation mounting of imminent action in the Ukraine and Fed rate hike speculation, equity markets were broadly weaker, with the European bourses particularly weak. Commodity markets were flat again, although it should be noted that oil gained another percent while natural gas soared 5.0%! This saw the USD enjoy its fifth day of gains in seven as the greenback attracted safe haven flows along with the JPY and CHF, which will most likely continue to be the case until a diplomatic solution is in sight. In this risk averse environment, pro-cyclical currencies tied to stronger growth are getting sold with the NZD the worst performer, although the AUD managed to hold its ground which saw the NZD/AUD cross ease to 0.9280.

In terms of the political manifestations overnight, an EU official suggested a nuclear deal with Iran is "in sight." The French foreign office stated, "Nothing indicates Putin has made a decision yet," although a Pentagon spokesperson ramped up the rhetoric with, "Putin gives himself more military options with each passing day" while German Chancellor, Olaf Scholz, (no relation to Hogan's Heroes character, Sergeant Schultz), announced he expects clear steps from Russia for a de-escalation on the Ukraine border.



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Daily Rates

Tuesday 15 February 2022

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------------------|--------|--------------------|---------------|------------------|---------------|--------------------|--------------|---------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 71.02 | | | | | CAD | 0.8424 | 0.9070 |
| NZD/USD | 0.6608 | -0.0003 | -0.0010 | -0.0022 | -0.0052 | CHF | 0.6114 | 0.6583 |
| NZD/AUD | 0.9288 | -0.0005 | -0.0023 | -0.0054 | -0.0113 | CNY | 4.2007 | 4.5229 |
| NZD/JPY | 76.25 | -0.06 | -0.25 | -0.63 | -1.71 | DKK | 4.3544 | 4.6884 |
| NZD/EUR | 0.5850 | -0.0006 | -0.0024 | -0.0059 | -0.0142 | FJD | 1.4148 | 1.5233 |
| NZD/GBP | 0.4887 | -0.0001 | -0.0004 | -0.0008 | -0.0023 | HKD | 5.1560 | 5.5515 |
| | | | | | | KRW | 790.07 | 850.68 |
| AU TWI | 60.00 | | | | | MYR | 2.7657 | 2.9779 |
| AUD/USD | 0.7115 | 0.0001 | 0.0006 | 0.0018 | 0.0031 | NOK | 5.8884 | 6.3401 |
| AUD/NZD | 1.0767 | 0.0006 | 0.0026 | 0.0063 | 0.0132 | SEK | 6.2141 | 6.6908 |
| AUD/JPY | 82.10 | -0.01 | -0.07 | -0.20 | -0.86 | SGD | 0.8907 | 0.9590 |
| AUD/EUR | 0.6299 | -0.0003 | -0.0011 | -0.0027 | -0.0078 | TWD | 18.41 | 19.82 |
| AUD/GBP | 0.5261 | 0.0002 | 0.0008 | 0.0022 | 0.0040 | ZAR | 10.0197 | 10.7883 |
| USD Index | 96.33 | | | | | EQUITIES | | |
| EUR/USD | 1.1296 | 0.0007 | 0.0030 | 0.0076 | 0.0190 | | Index | |
| USD/JPY | 115.39 | -0.03 | -0.20 | -0.57 | -1.69 | NZX50 | 11,950 | |
| GBP/USD | 1.3524 | -0.0002 | -0.0009 | -0.0022 | -0.0043 | ASX200 | 7,244 | |
| EUR/GBP | 0.8352 | 0.0006 | 0.0027 | 0.0070 | 0.0168 | Dow Jones | 34,315 | |
| | | | | | | S&P 500 | 4,390 | |
| | | | | | | FTSE100 | 7,532 | |
| | | | | | | DAX 30 | 15,114 | |
| | | | | | | Nikkei | 27,080 | |
| INTEREST RATES | | New Zealand | | Australia | | COMMODITIES | | |
| | | Borrow | Invest | Borrow | Invest | | USD | |
| 30 day bank bills | | 1.03% | 1.00% | 0.01% | 0.03% | Dubai Light | 93.74 | |
| 90 day bank bills | | 1.24% | 1.21% | 0.09% | 0.05% | Brent Crude | 95.77 | |
| FRA 90d in 3mths | | 1.92% | 1.89% | 0.43% | 0.41% | Gold | 1,872.29 | |
| FRA 180d in 6mths | | 2.62% | 2.57% | 1.22% | 1.21% | Silver | 23.83 | |
| 1 year swap | | 2.10% | 2.08% | 0.72% | 0.72% | CRB Index | 279.72 | |
| 2 year swap | | 2.56% | 2.54% | 1.51% | 1.49% | | NZD | |
| 3 year swap | | 2.75% | 2.73% | 1.90% | 1.89% | NZ Carbon | 84.50 | |
| 5 year swap | | 2.93% | 2.91% | 2.24% | 2.23% | | | |
| 10 year swap | | 2.97% | 2.95% | 2.52% | 2.51% | | | |
| 10 year Govt bond | | | 2.76% | | 2.14% | | | |

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