

# Market Alert

Wednesday 23 February 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6731	-0.0024
NZD/AUD	0.9343	-0.0059
NZD/JPY	77.38	-0.68
NZD/EUR	0.5944	-0.0063
NZD/GBP	0.4958	-0.0013
NZD/CNH	4.2561	0.0311
AUD/USD	0.7205	0.0019
AUD/EUR	0.6361	-0.0027
EUR/USD	1.1326	0.0080
USD/CNH	6.3235	0.0695
GBP/USD	1.3579	-0.0015
EUR/GBP	0.8341	0.0068

  

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.25%	0.08%
2 year swap	2.58%	1.51%
10 year Govt	2.70%	2.20%

## Let the political jousting begin

Once again, the Russia/Ukraine situation dominated overnight headlines and culminated with President Putin backing separatist claims to the so called 'Donetsk People's Republic' and 'Luhansk People's Republic' regions within the Ukraine. US, UK and European sanctions were quick to follow.

The most prominent was Germany's decision to halt the certification of the USD11 billion Nord Stream 2 gas pipeline, which was designed to bring natural gas from Russia directly to Europe, although I am hopeful that Chelsea will be docked

40 points in the Premier League given that they are owned by the Russian, Roman Abramovich.

The big questions now are, is there a red line that President Putin can cross that would move the US and NATO into a military response, and, how much support will China provide to Russia?

In terms of the financial markets, the threat of a potential conflict has weighed on equity markets around the globe with most bourses down between -0.5% and -1.5%. Unsurprisingly, volatility is higher and above the psychological 30% level, oil has rallied with crude up to USD92.70 while Brent is at an astonishing USD96.89, and natural gas is up another 2.5%. Gold is flat. Bond markets though seem to be taking the tensions in their stride with the 10-year US treasury flat at 1.925%, while the NZD, AUD and EUR have all firmed.

Behind the fatalistic headlines, there were some actual data releases. US Manufacturing PMI increased to 57.5 in February from 55.5 in January, while the services index surged to 56.7 from 51.2. As in many other countries, US house prices continued to soar as the CoreLogic Case-Shiller 20 city house price index rallied 18.6% in the year to December although the Richmond Fed manufacturing index fell to 1 against expectations of a 10 print.

In the other headlines, Japanese PPI Services for January increased 1.2% while UK industrial orders undershot expectations at 20.

RBA Assistant Governor (Financial Markets), Christopher Kent, gave a speech yesterday on 'Changes to the Reserve Bank's Open Market Operations (OMO)' where he announced the RBA is changing its terms and pricing for its open market operations. Mr Kent noted that these operational changes do not, and should not, provide any guidance on the future path of monetary policy. Simply, the interest rate on OMO repos will change to a floating rate based on the average cash rate target prevailing over the term of the repo. The maximum tenor of OMO repos will typically be four weeks, although longer terms may be offered if and when warranted by market conditions.

Oil giant Saudi Aramco is in talks about further investment into China, and a change of pace from its recent focus on eastern Europe ... I wonder why ... with the CEO stating, "China is an important part of Aramco's base, and we are currently in discussions with a number of our partners in China for more investment."

## One last COVID-19 headline until tomorrow

If COVID-19 wasn't bad enough, China has banned imports of poultry and poultry products from Canada to prevent the spread of bird flu. Yep, bird flu is back!

It's the RBNZ today – strap yourselves in for a bumpy ride!



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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	72.03					CAD	0.8604	0.9210
NZD/USD	0.6731	-0.0004	-0.0012	-0.0024	-0.0056	CHF	0.6202	0.6638
NZD/AUD	0.9343	-0.0007	-0.0026	-0.0059	-0.0119	CNY	4.2581	4.5577
NZD/JPY	77.38	-0.07	-0.28	-0.68	-1.78	DKK	4.4212	4.7323
NZD/EUR	0.5944	-0.0008	-0.0027	-0.0063	-0.0150	FJD	1.4313	1.5321
NZD/GBP	0.4958	-0.0002	-0.0006	-0.0013	-0.0033	HKD	5.2510	5.6206
						KRW	802.64	859.13
AU TWI	60.60					MYR	2.8114	3.0093
AUD/USD	0.7205	0.0001	0.0008	0.0019	0.0032	NOK	5.9953	6.4172
AUD/NZD	1.0704	0.0008	0.0030	0.0068	0.0138	SEK	6.3004	6.7438
AUD/JPY	82.82	-0.01	-0.07	-0.20	-0.86	SGD	0.9062	0.9700
AUD/EUR	0.6361	-0.0003	-0.0011	-0.0027	-0.0080	TWD	18.75	20.07
AUD/GBP	0.5306	0.0002	0.0008	0.0020	0.0033	ZAR	10.1615	10.8766
USD Index	96.08					<b>EQUITIES</b>		
EUR/USD	1.1326	0.0008	0.0032	0.0080	0.0196		<b>Index</b>	
USD/JPY	114.96	-0.04	-0.21	-0.59	-1.70	NZX50	12,115	
GBP/USD	1.3579	-0.0002	-0.0006	-0.0015	-0.0024	ASX200	7,161	
EUR/GBP	0.8341	0.0007	0.0027	0.0068	0.0159	Dow Jones	33,379	
						S&P 500	4,277	
						FTSE100	7,494	
						DAX 30	14,693	
						Nikkei	26,450	
<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		1.09%	1.06%	0.02%	0.02%	Dubai Light	96.12	
90 day bank bills		1.28%	1.25%	0.10%	0.06%	Brent Crude	96.83	
FRA 90d in 3mths		1.95%	1.92%	0.42%	0.39%	Gold	1,903.65	
FRA 180d in 6mths		2.63%	2.60%	1.23%	1.22%	Silver	24.21	
1 year swap		2.10%	2.08%	0.71%	0.71%	CRB Index	280.31	
2 year swap		2.59%	2.57%	1.52%	1.50%		<b>NZD</b>	
3 year swap		2.79%	2.77%	1.91%	1.91%	NZ Carbon	80.75	
5 year swap		2.90%	2.88%	2.21%	2.20%			
10 year swap		2.97%	2.95%	2.52%	2.50%			
10 year Govt bond			2.69%		2.20%			

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