

Market Alert

Friday 25 February 2022

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6674 | -0.0025 |
| NZD/AUD | 0.9330 | -0.0060 |
| NZD/JPY | 77.00 | -0.68 |
| NZD/EUR | 0.5964 | -0.0065 |
| NZD/GBP | 0.4987 | -0.0013 |
| NZD/CNH | 4.2226 | 0.0389 |
| AUD/USD | 0.7152 | 0.0019 |
| AUD/EUR | 0.6392 | -0.0028 |
| EUR/USD | 1.1190 | 0.0080 |
| USD/CNH | 6.3240 | 0.0828 |
| GBP/USD | 1.3384 | -0.0016 |
| EUR/GBP | 0.8361 | 0.0069 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 1.00% | 0.10% |
| 90 day bills | 1.24% | 0.08% |
| 2 year swap | 2.73% | 1.45% |
| 10 year Govt | 2.76% | 2.16% |

It's kicking off

In what conceivably could be viewed as the most aggressive military action in Europe since WWII, Russia launched a full-scale military invasion for the “demilitarization and denazification of the Ukraine.”

NATO and its allies have firmly condemned the attacks, and, in an emergency meeting, the alliance has committed to deploying additional forces and fresh sanctions, but with US President Biden emphasising that they won't commit ground troops, it will take time for the sanctions to have their desired impact. Luckily Russia doesn't

plan to “occupy” its southern neighbour, justifying the incursion on the basis that Russia must “defend itself from those who took Ukraine hostage,” as Russian President Putin put it. But having deployed land, air, and naval forces, and utilised over 100 ballistic missiles, the momentum is clearly with Putin. In fact he even went so far as to threatening the West with “consequences greater than any you have faced in history” if it intervenes in his invasion of Ukraine.

With higher inflation, lower growth, and now a conflict to navigate, financial markets reverted to safe haven buying. International equities have been hit particularly hard with the European bourses broadly -4.0% lower. US markets have held up slightly better, with the Dow a mere -2.0% lower, the S&P off -1.0%, while the Nasdaq is flat.

Energy commodities were all higher, with crude and Brent oil rallying 4.0% and 5.5% respectively, which took Brent above the USD100 per barrel, while the VIX opened at 37.50 although it has since eased itself back to 33.97. The safe haven flows benefited US treasuries, while the US-dollar spiked to a 20-month high to the detriment of the NZD, AUD, and EUR.

At the peripheral

In amongst this, there was some data releases and central bank chit-chat, but it was overlooked due to the invasion, but for the record...

The American economy expanded at an annualised GDP rate of 7.0% in the December 2021 quarter, which was in line with market forecasts and is officially the strongest expansion since the post-COVID 33.8% jump in Q3 2020. Furthermore, initial jobless claims decreased by 17k to 232k last week.

Q4 Australian private capital expenditure (capex) headlined at 1.1% on the quarter against an expected 2.6%.

Prior to the attack, the Fed's voting member and personal mouth-piece for a certain Mr Powell, Mary Daly, suddenly turned into a hawk stating “we need more urgency on moving rates higher, like 0.25% in March. Policy is too accommodating and inflation is well above its goal. Raising rates at least four times would be my preference, but most likely it'll be more. We should start with a quarter-point interest rate hike in March, too early to call for half-point hike. Down the road can decide if half-point hikes are necessary. We should get balance sheet reduction underway earlier, not later in the year as had previously thought.”

Interestingly, Goldman Sachs says geopolitics will not stop the Fed from hiking.

In this volatile time, it is important to maintain the fundamentals of your treasury policy and be disciplined in your execution. Should you have any thoughts, concerns, or questions, feel free to reach out to your friendly treasury advisor!



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Friday 25 February 2022

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------------------|--------|--------------------|---------------|------------------|---------------|--------------------|--------------|---------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 71.78 | | | | | CAD | 0.8558 | 0.9173 |
| NZD/USD | 0.6674 | -0.0003 | -0.0011 | -0.0025 | -0.0060 | CHF | 0.6173 | 0.6616 |
| NZD/AUD | 0.9330 | -0.0007 | -0.0025 | -0.0060 | -0.0125 | CNY | 4.2260 | 4.5295 |
| NZD/JPY | 77.00 | -0.08 | -0.27 | -0.68 | -1.77 | DKK | 4.4380 | 4.7566 |
| NZD/EUR | 0.5964 | -0.0008 | -0.0027 | -0.0065 | -0.0153 | FJD | 1.4163 | 1.5180 |
| NZD/GBP | 0.4987 | -0.0002 | -0.0006 | -0.0013 | -0.0036 | HKD | 5.2134 | 5.5877 |
| | | | | | | KRW | 802.87 | 860.52 |
| AU TWI | 60.50 | | | | | MYR | 2.8251 | 3.0280 |
| AUD/USD | 0.7152 | 0.0002 | 0.0008 | 0.0019 | 0.0032 | NOK | 6.0081 | 6.4395 |
| AUD/NZD | 1.0718 | 0.0008 | 0.0029 | 0.0070 | 0.0145 | SEK | 6.3464 | 6.8021 |
| AUD/JPY | 82.52 | -0.02 | -0.07 | -0.20 | -0.81 | SGD | 0.9057 | 0.9707 |
| AUD/EUR | 0.6392 | -0.0004 | -0.0012 | -0.0028 | -0.0080 | TWD | 18.65 | 19.99 |
| AUD/GBP | 0.5344 | 0.0002 | 0.0008 | 0.0021 | 0.0033 | ZAR | 10.3153 | 11.0560 |
| USD Index | 97.21 | | | | | EQUITIES | | |
| EUR/USD | 1.1190 | 0.0010 | 0.0033 | 0.0080 | 0.0191 | | Index | |
| USD/JPY | 115.38 | -0.06 | -0.22 | -0.59 | -1.63 | NZX50 | 11,733 | |
| GBP/USD | 1.3384 | -0.0002 | -0.0006 | -0.0016 | -0.0024 | ASX200 | 6,991 | |
| EUR/GBP | 0.8361 | 0.0008 | 0.0029 | 0.0069 | 0.0158 | Dow Jones | 32,686 | |
| | | | | | | S&P 500 | 4,189 | |
| | | | | | | FTSE100 | 7,207 | |
| | | | | | | DAX 30 | 14,052 | |
| | | | | | | Nikkei | 25,971 | |
| INTEREST RATES | | New Zealand | | Australia | | COMMODITIES | | |
| | | Borrow | Invest | Borrow | Invest | | USD | |
| 30 day bank bills | | 1.07% | 1.04% | 0.02% | 0.02% | Dubai Light | 99.22 | |
| 90 day bank bills | | 1.27% | 1.24% | 0.10% | 0.06% | Brent Crude | 102.03 | |
| FRA 90d in 3mths | | 2.03% | 2.00% | 0.33% | 0.30% | Gold | 1,917.02 | |
| FRA 180d in 6mths | | 2.74% | 2.71% | 1.11% | 1.10% | Silver | 24.40 | |
| 1 year swap | | 2.18% | 2.16% | 0.64% | 0.64% | CRB Index | 285.33 | |
| 2 year swap | | 2.74% | 2.72% | 1.47% | 1.44% | | NZD | |
| 3 year swap | | 2.88% | 2.86% | 1.88% | 1.87% | NZ Carbon | 80.00 | |
| 5 year swap | | 2.97% | 2.95% | 2.17% | 2.16% | | | |
| 10 year swap | | 3.00% | 2.98% | 2.49% | 2.47% | | | |
| 10 year Govt bond | | | 2.74% | 2.16% | | | | |

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED