

Market Alert

Thursday 10 March 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6838	-0.0029
NZD/AUD	0.9345	-0.0064
NZD/JPY	79.25	-0.80
NZD/EUR	0.6181	-0.0075
NZD/GBP	0.5196	-0.0015
NZD/CNH	4.3242	0.0267
AUD/USD	0.7318	0.0018
AUD/EUR	0.6615	-0.0035
EUR/USD	1.1063	0.0087
USD/CNH	6.3234	0.0665
GBP/USD	1.3162	-0.0018
EUR/GBP	0.8405	0.0078

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.43%	0.15%
2 year swap	2.95%	1.66%
10 year Govt	2.90%	2.32%

The big bounce

Even in the face of denials, financial markets are excited at prospects of a joint EU fiscal response to the energy crisis. Although this could potentially solve many of the energy issues European economies are currently facing, it did provide some rational for the unwinding some of the 'crisis pricing' seen in commodity and rates markets. This in effect saw crude and Brent sell-off 10% overnight, while wheat fell 7%, gold eased 3%, and nickel halved to 48,000 per tonne.

The commodity correction flowed through to equity and bond markets

with European bourses up an astonishing 5.0%-7.0%, while US exchanges recovered 2.5%-3.5%! Incredibly, the 10-year treasury yield surged to 1.92% while the German bund gapped 10bps higher to 0.22%. This supported swap pricing although it didn't filter through to the NZ and AU markets after their moves yesterday. In amongst all of this, the EUR also returned to flavour, rallying 1.7% to reach 1.1075, although the NZD and AUD were a little quieter posting modest gains.

While it's interesting to view last night's bounce as a reason for optimism as 'the risks are now priced in', I would caution against getting too carried on any recovery talk just yet given we saw similar moves and comments last week as well. Clearly the conflict in Ukraine still has a long way to go.

Breaking the headlines down

In NZ, one of the local banks has upgraded its farmgate milk price forecast for the 2021-22 season by 40c to NZD9.70 per kg milk solid while the forecast for the 2022-23 season was lifted to NZD9.30. Meanwhile, the light traffic index rose 4.4% in February, while the heavy traffic index gained 1.4%.

In what has been referred to as a 'hawkish pivot', Australian RBA Governor Philip Lowe announced, "its plausible the cash rate will rise later this year as risks on inflation have moved to the upside"

although, "it's still not clear that high inflation will be sustained in Australia. We can afford to look through a period of high inflation (but we) still need wage growth above 3%."

In the US, JOLT job openings outnumbered available workers by nearly 4.75 million in January, in the latest sign of the tight employment market. Total vacancies actually dipped a touch, falling to 11.263 million following a substantial upward adjustment in December's numbers. It was also interesting to see the US has initiated oil talks with Venezuela although "any relaxation in US sanctions would be conditional on Venezuela shipping oil directly to the United States." Coincidentally, Venezuela has released a US hostage who would've thought!

China's February CPI was unchanged from the previous month, and in line with market forecasts at 0.9% for the year as the cost of food dropped 3.9% amid a steeper decline in pork prices. Meanwhile, producer price inflation eased to 8.8% in the year to February from 9.1% in January in what was the lowest reading since last June, reflecting the impact of the government's measures to secure supply and control surging commodity prices.

Japanese Q4 GDP grew by 1.1%, following Q3's 0.7% contraction while Fitch says a Russia debt default is imminent.



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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	73.47					CAD	0.8775	0.9391
NZD/USD	0.6838	-0.0002	-0.0012	-0.0029	-0.0071	CHF	0.6339	0.6784
NZD/AUD	0.9345	-0.0007	-0.0028	-0.0064	-0.0126	CNY	4.3204	4.6234
NZD/JPY	79.25	-0.07	-0.31	-0.80	-2.08	DKK	4.6011	4.9239
NZD/EUR	0.6181	-0.0008	-0.0031	-0.0075	-0.0178	FJD	1.4367	1.5375
NZD/GBP	0.5196	-0.0001	-0.0006	-0.0015	-0.0042	HKD	5.3478	5.7229
						KRW	844.09	903.30
AU TWI	61.80					MYR	2.8611	3.0618
AUD/USD	0.7318	0.0003	0.0009	0.0018	0.0023	NOK	6.1103	6.5389
AUD/NZD	1.0701	0.0008	0.0032	0.0073	0.0147	SEK	6.6224	7.0869
AUD/JPY	84.81	-0.01	-0.08	-0.28	-1.10	SGD	0.9294	0.9946
AUD/EUR	0.6615	-0.0004	-0.0013	-0.0035	-0.0102	TWD	19.47	20.84
AUD/GBP	0.5560	0.0003	0.0010	0.0022	0.0031	ZAR	10.2861	11.0077
USD Index	98.06					EQUITIES		
EUR/USD	1.1063	0.0010	0.0036	0.0087	0.0210		Index	
USD/JPY	115.90	-0.06	-0.25	-0.68	-1.86	NZX50	11,785	
GBP/USD	1.3162	-0.0002	-0.0007	-0.0018	-0.0032	ASX200	7,053	
EUR/GBP	0.8405	0.0009	0.0032	0.0078	0.0180	Dow Jones	33,318	
						S&P 500	4,272	
						FTSE100	7,191	
						DAX 30	13,848	
						Nikkei	24,718	
						COMMODITIES		
							USD	
						Dubai Light	130.34	
						Brent Crude	111.47	
						Gold	1,981.07	
						Silver	25.51	
						CRB Index	328.76	
							NZD	
						NZ Carbon	70.25	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.09%	1.05%	0.02%	0.02%
90 day bank bills	1.46%	1.43%	0.17%	0.13%
FRA 90d in 3mths	2.44%	2.39%	0.63%	0.60%
FRA 180d in 6mths	3.08%	3.05%	1.54%	1.53%
1 year swap	2.49%	2.47%	0.88%	0.87%
2 year swap	2.96%	2.94%	1.67%	1.64%
3 year swap	3.09%	3.07%	2.06%	2.04%
5 year swap	3.15%	3.13%	2.32%	2.31%
10 year swap	3.16%	3.14%	2.68%	2.65%
10 year Govt bond		2.88%		2.32%

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