

Market Alert

Thursday 17 March 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6807	-0.0027
NZD/AUD	0.9387	-0.0070
NZD/JPY	80.86	-0.84
NZD/EUR	0.6192	-0.0078
NZD/GBP	0.5194	-0.0016
NZD/CNH	4.3347	0.0247
AUD/USD	0.7253	0.0024
AUD/EUR	0.6597	-0.0033
EUR/USD	1.0996	0.0093
USD/CNH	6.3673	0.0626
GBP/USD	1.3108	-0.0015
EUR/GBP	0.8389	0.0081

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.47%	0.15%
2 year swap	3.05%	1.69%
10 year Govt	3.15%	2.48%

All the news from the Federal Reserve

The Fed raised their Fed Funds rate range to 0.25%-0.50%, a 25 basis point hike and the first increase in borrowing costs since 2018.

The dot-plot graph shows policymakers expect rate hikes at each of the six remaining meetings this year, suggesting a funds rate of 1.90% by year end. The Ukrainian war was referenced adding to inflationary pressures and a slower growth outlook, which saw the Fed revise down their growth projections for 2022 to 2.8% from 4.0%, while inflation was revised

up to 4.3% from 2.6%. Further out, 2023 inflation was revised up by 0.4% while 2024 up by 0.2%. Unemployment was unchanged except for a 0.1% rise in the 2024 forecast. On Quantitative Tightening ("QT"), the Committee announced they expect to begin the reduction of its bond holdings at an upcoming meeting, although they didn't elaborate.

At the Q&A, Chair Powell added, *"It's clearly time to raise interest rates and begin the balance sheet shrinkage. We expect inflation to remain high through the middle of the year and then come down more sharply next year. We will take the necessary steps to ensure inflation does not become entrenched."* Interesting, he also referenced that QT would essentially act as another hike.

While the initial reaction saw US equity markets turn negative and the NZD and AUD give-up some of their early gains, the steady tone at the Q&A saw equities recover and the AUD and NZD return to their session highs. Euro-dollar futures and treasuries yields also increased with the 2-years up 8 basis points to 1.965% while the 10-year yield rose to its highest level since May 2019, although it then eased back to 2.185%.

In the other US data releases, retail sales edged up 0.3% in the month of February, below expectations at 0.4%, while the price index for US imports increased 1.4% from January.

In New Zealand, ahead of today's Q4 GDP release, the Q4 current account

deficit proved to be larger than expected at -\$7.26bn against the forecast of -\$6.21bn, which meant the current account for calendar year 2021 was at -\$20.23bn producing a current account to GDP ratio of -5.8% slightly worse than the -5.6% expected.

Australia's leading index fell -0.15% in February, narrowing the previous month's decline of -0.29%, highlighting a gradual recovery in the pace of economic activity in the coming months as the economy slowly recovers.

Chinese new home prices in February were flat at 0.0% on the month which contributed to a +2.0% performance on the year. Beijing was the standout performer increasing +0.6% and +5.5%. Chinese vice premier, Liu He, also announced, *"Monetary policy should take initiatives to support the economy"* before adding, *"We will keep appropriate growth in new loans. Will take forceful measures to prevent risks among property developers."*

At the peripheral

ECB Vice President, Luis de Guindos, says sees no risk of a Eurozone recession. Goldman Sachs have raised their 2022 forecasts for stock buybacks to a record USD1 trillion. Fitch has suggested Russia could default on a US dollar Eurobond payment as early as today and finally, North Korea reportedly fired a projectile, which reportedly exploded in mid-air shortly after launch.



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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	73.09					CAD	0.8672	0.9239
NZD/USD	0.6807	-0.0003	-0.0012	-0.0027	-0.0059	CHF	0.6416	0.6835
NZD/AUD	0.9387	-0.0008	-0.0030	-0.0070	-0.0134	CNY	4.3330	4.6160
NZD/JPY	80.86	-0.08	-0.33	-0.84	-2.16	DKK	4.6080	4.9091
NZD/EUR	0.6192	-0.0011	-0.0034	-0.0078	-0.0179	FJD	1.4394	1.5363
NZD/GBP	0.5194	-0.0003	-0.0007	-0.0016	-0.0041	HKD	5.3247	5.6729
						KRW	834.29	888.79
AU TWI	61.40					MYR	2.8489	3.0355
AUD/USD	0.7253	0.0003	0.0010	0.0024	0.0042	NOK	6.0954	6.4934
AUD/NZD	1.0654	0.0009	0.0034	0.0080	0.0154	SEK	6.4463	6.8672
AUD/JPY	86.14	-0.01	-0.07	-0.26	-1.09	SGD	0.9258	0.9863
AUD/EUR	0.6597	-0.0004	-0.0014	-0.0033	-0.0096	TWD	19.40	20.67
AUD/GBP	0.5533	0.0003	0.0012	0.0025	0.0038	ZAR	10.2139	10.8822
USD Index	98.71					EQUITIES		
EUR/USD	1.0996	0.0012	0.0040	0.0093	0.0225		Index	
USD/JPY	118.77	-0.07	-0.27	-0.75	-2.15	NZX50	11,874	
GBP/USD	1.3108	-0.0002	-0.0009	-0.0015	-0.0014	ASX200	7,175	
EUR/GBP	0.8389	0.0011	0.0036	0.0081	0.0181	Dow Jones	33,544	
						S&P 500	4,302	
INTEREST RATES			New Zealand		Australia	FTSE100	7,292	
			Mid		Mid	DAX 30	14,441	
30 day bank bills			1.15%		0.02%	Nikkei	25,762	
90 day bank bills			1.47%		0.15%	COMMODITIES		
1 year swap			2.56%		0.87%		USD	
2 year swap			3.05%		1.69%	Brent Crude	97.59	
3 year swap			3.20%		2.10%	Gold	1,915.58	
5 year swap			3.28%		2.50%	Silver	24.89	
10 year swap			3.36%		2.77%	Iron Ore	136.50	
3 year Govt bond			2.85%		1.66%	CRB Index	299.24	
5 year Govt bond			3.00%		2.14%		NZD	
10 year Govt bond			3.16%		2.48%	NZ Carbon	73.50	

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