

Market Alert

Friday 18 March 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6886	-0.0027
NZD/AUD	0.9336	-0.0065
NZD/JPY	81.64	-0.82
NZD/EUR	0.6202	-0.0075
NZD/GBP	0.5233	-0.0017
NZD/CNH	4.3807	0.0251
AUD/USD	0.7375	0.0022
AUD/EUR	0.6641	-0.0035
EUR/USD	1.1104	0.0092
USD/CNH	6.3618	0.0620
GBP/USD	1.3158	-0.0011
EUR/GBP	0.8439	0.0077

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.48%	0.15%
2 year swap	3.01%	1.74%
10 year Govt	3.15%	2.50%

These numbers don't add up

While yesterday's 25bps Fed hike was expected, the markets are struggling to come to terms with the mixed messaging given the Fed lowered its growth projections and upped its inflation forecasts. In amongst these number, the Fed doesn't see signs of wage-inflation and is expecting unemployment to end at 3.5%. While many economists have been on the newswires shouting these numbers simply don't add-up, it was probably best summed up with one saying "it was a dovish hike but a hawkish rhetoric and outlook. We believe that if they get anywhere near their projections, they'd invert the yield curve and cause

a guaranteed recession." In saying all of that, initial claims fell by 15k to 214k, its lowest level in 10-weeks.

But while we thought the Federal reserve was aggressively implying another 6-hikes this year, the Brazilian Central Bank raise its cash rate, the Selic, by 100 basis points to 11.75%, and then signalled another 100bps rate hike at its next meeting!

The BoE has also been busy, hiking the Bank Rate by 25bps to 0.75% overnight. The committee voted 8-1 in favour of the hike, with one dissenter preferring no change. This was a more dovish split than the previous vote, when four members voted to hike rates 50bps, as the Ukrainian conflict likely clouded the economic outlook.

ECB Council member Ignazio Visco essentially announced it was time to bring socialism back to Europe, stating "administered prices for a small period of time would not be a bad idea. Gradual policy normalization is most appropriate stance. Good reasons to believe inflation will move to 2.0%."

The NZ Q4 GDP print undershot expectations at +3.0% for the December quarter and 3.1% for the 2021 calendar year, when 3.2% and 3.3% respectively had been expected. But looking further forward, labour and supply chain constraints, along with rising prices and interest rates, will weigh on growth.

Is it time to head to Australia? Well, you'll definitely get a job if you do. Australian employment increased 77,400 in February, easily beating market forecasts of 37,000, with full-time employment increasing by an astounding 121,900, while part-time employment fell 44,500. This saw the seasonally adjusted unemployment rate fall to 4.0%, compared with a market consensus of 4.1%, while the participation rate added 0.2 points to reach a record peak at 66.4%.

Russia avoided a USD117m bond default, settling its interest obligations on 2 US dollar denominated bonds, although there are concerns China may be considering sending arms to Russia.

But the markets don't care

In weighing up the Fed's hawkish outlook, the markets decided not to worry about it, with the European and US bourses rallying, while Chinese stocks had their biggest 2-day gain since 1998 with the Hang Seng China index up a staggering 16.7% from Tuesday's close. The fact that oil rallied 7.0% to be above the USD100 a barrel level seems to have been ignored, while the 10-year treasury yield is flat at 2.185%. Finally, the USD was hit post the Fed meeting, which saw the EUR, AUD, and NZD all post solid gains.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Friday 18 March 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.66					CAD	0.8703	0.9322
NZD/USD	0.6886	-0.0003	-0.0012	-0.0027	-0.0060	CHF	0.6448	0.6906
NZD/AUD	0.9336	-0.0008	-0.0029	-0.0065	-0.0130	CNY	4.3703	4.6826
NZD/JPY	81.64	-0.08	-0.32	-0.82	-2.15	DKK	4.6163	4.9445
NZD/EUR	0.6202	-0.0009	-0.0032	-0.0075	-0.0176	FJD	1.4454	1.5483
NZD/GBP	0.5233	-0.0002	-0.0006	-0.0017	-0.0046	HKD	5.3840	5.7669
						KRW	833.79	893.09
AU TWI	61.40					MYR	2.8816	3.0845
AUD/USD	0.7375	0.0003	0.0010	0.0022	0.0037	NOK	6.0556	6.4861
AUD/NZD	1.0711	0.0009	0.0033	0.0075	0.0151	SEK	6.4735	6.9341
AUD/JPY	87.45	-0.02	-0.07	-0.27	-1.11	SGD	0.9321	0.9984
AUD/EUR	0.6641	-0.0004	-0.0014	-0.0035	-0.0099	TWD	19.45	20.83
AUD/GBP	0.5606	0.0003	0.0010	0.0021	0.0027	ZAR	10.2513	10.9804
USD Index	97.94					EQUITIES		
EUR/USD	1.1104	0.0011	0.0037	0.0092	0.0225		Index	
USD/JPY	118.57	-0.07	-0.25	-0.72	-2.09	NZX50	11,999	
GBP/USD	1.3158	-0.0002	-0.0007	-0.0011	0.0002	ASX200	7,251	
EUR/GBP	0.8439	0.0010	0.0033	0.0077	0.0170	Dow Jones	34,063	
						S&P 500	4,398	
INTEREST RATES		New Zealand		Australia		FTSE100	7,385	
		Mid		Mid		DAX 30	14,388	
30 day bank bills		1.15%		0.02%		Nikkei	26,653	
90 day bank bills		1.48%		0.15%		COMMODITIES		
1 year swap		2.53%		0.89%			USD	
2 year swap		3.01%		1.74%		Brent Crude	107.17	
3 year swap		3.17%		2.14%		Gold	1,941.11	
5 year swap		3.26%		2.52%		Silver	25.33	
10 year swap		3.35%		2.76%		Iron Ore	141.50	
3 year Govt bond		2.82%		1.72%		CRB Index	298.42	
5 year Govt bond		2.98%		2.20%			NZD	
10 year Govt bond		3.16%		2.50%		NZ Carbon	73.62	

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