

# Market Alert

Monday 28 March 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6974	-0.0026
NZD/AUD	0.9261	-0.0064
NZD/JPY	84.79	-0.93
NZD/EUR	0.6338	-0.0069
NZD/GBP	0.5280	-0.0009
NZD/CNH	4.4435	0.0296
AUD/USD	0.7506	0.0024
AUD/EUR	0.6843	-0.0041
EUR/USD	1.0983	0.0102
USD/CNH	6.3841	0.0538
GBP/USD	1.3183	0.0000
EUR/GBP	0.8325	0.0076

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.48%	0.20%
2 year swap	3.17%	2.14%
10 year Govt	3.30%	2.77%

## Bond sellers emerge, again!

Friday night saw a continuation of the global bond rout, with the yield on the US 10-year Treasury hitting 2.50% – its highest level since May 2019 – before it eased back to close at 2.47%. Incredibly, the US yield has now surged a full percentage point since December.

The German bund also hit its highest level since May 2018, trading at 0.59%. Interestingly, as investors retreated from their bond holdings due to inflationary concerns, there wasn't the traditional surge into equities, with most bourses

closing the Friday session flat. To be fair, commodities and currencies were pretty quiet as well, although the EUR did close below 1.10 against the USD.

Adding further fuel to the fire, CitiBank increased their Fed forecasts, calling for the Federal Reserve to hike 50bps at each of its May, June, July, and September meetings, while Fed member, John Williams, announced, "We are watching inflation expectations very closely. If it's appropriate to hike by 50bps at a meeting, he will do that."

Friday's session was pretty lack lustre as there weren't any major economic releases to grab traders attention, with the German IFO business climate release the most significant. This data highlighted a pessimistic outlook as the headline business outlook plummeted to 90.8 in March, from 98.5 in February. We also had the Germany Chancellor, Olaf Scholz, announce "We will become independent from Russian gas faster than many think."

The Japanese CPI print also undershot expectations at 1.3% for the year, against the 1.5% expected. Unfortunately, the core headline, excluding food and energy, showed a -0.4% contraction, which was slightly better than the -0.7% expected, but with the BoJ targeting a 2.0% core, it highlights the challenges facing the Japanese economy.

BoJ Governor, Haruhiko Kuroda, was also on the news wires attempting to provide

a molecule of support for the JPY, stating, "The recent fall in the yen's real, effective level reflects Japan's low inflation compared with that of its trading partners. The BOJ will maintain its powerful monetary easing to support corporate profits, create a positive economic cycle. The market's view is that a weak yen is due to Japan importers' dollar demand, prospects of US interest rate hikes."

Over the weekend, China data showed industrial profits rose by 5.0% yoy to CNY11.58 trillion in the January-February period, compared with a 34.3% surge in 2021.

## Focus on the US this week

It will be a busy week in the US, with all eyes on the March payrolls report and personal consumption expenditures data. Markets are expecting a 475,000 employment gain and a 3.7% rate of unemployment, with the implication that a further tightening of the labour market will strengthen the case for the Fed to deliver a 50bp rate hike in May.

In Europe we have the key inflation reports from Germany, France, Italy, and Spain, while we also have Eurozone CPI, unemployment, and consumer confidence. We also have UK Q4 GDP, PMIs and housing data and PMIs from China and Japan, and Australian retail sales.

RIP Taylor Hawkins .... you certainly lived the rock 'n' roll lifestyle.



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# Daily Rates

Monday 28 March 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.83					CAD	0.8673	0.9376
NZD/USD	0.6974	-0.0003	-0.0011	-0.0026	-0.0052	CHF	0.6477	0.6984
NZD/AUD	0.9261	-0.0007	-0.0028	-0.0064	-0.0124	CNY	4.4304	4.7842
NZD/JPY	84.79	-0.09	-0.35	-0.93	-2.40	DKK	4.7049	5.0810
NZD/EUR	0.6338	0.0003	-0.0022	-0.0069	-0.0176	FJD	1.4642	1.5780
NZD/GBP	0.5280	0.0009	0.0004	-0.0009	-0.0041	HKD	5.4473	5.8753
						KRW	851.58	919.70
AU TWI	64.10					MYR	2.9318	3.1648
AUD/USD	0.7506	0.0003	0.0011	0.0024	0.0043	NOK	5.9832	6.4606
AUD/NZD	1.0800	0.0009	0.0032	0.0075	0.0146	SEK	6.5465	7.0690
AUD/JPY	91.56	-0.03	-0.11	-0.38	-1.41	SGD	0.9458	1.0185
AUD/EUR	0.6843	-0.0005	-0.0016	-0.0041	-0.0114	TWD	19.96	21.56
AUD/GBP	0.5701	-0.0004	0.0002	0.0011	0.0011	ZAR	10.12	10.93
USD Index	98.82					<b>EQUITIES</b>		
EUR/USD	1.0983	0.0011	0.0041	0.0102	0.0251		<b>Index</b>	
USD/JPY	122.06	-0.08	-0.32	-0.89	-2.57	NZX50	12,055	
GBP/USD	1.3183	-0.0002	-0.0003	0.0000	0.0032	ASX200	7,406	
EUR/GBP	0.8325	0.0010	0.0033	0.0076	0.0170	Dow Jones	34,861	
						S&P 500	4,543	
<b>INTEREST RATES</b>						FTSE100	7,483	
		<b>New Zealand</b>		<b>Australia</b>		DAX 30	14,306	
		<b>Mid</b>		<b>Mid</b>		Nikkei	28,150	
30 day bank bills		1.17%		0.02%		<b>COMMODITIES</b>		
90 day bank bills		1.48%		0.20%			<b>USD</b>	
1 year swap		2.66%		1.18%		Brent Crude	120.65	
2 year swap		3.17%		2.14%		Gold	1,958.20	
3 year swap		3.31%		2.58%		Silver	25.52	
5 year swap		3.38%		2.89%		Iron Ore	146.00	
10 year swap		3.45%		3.12%		CRB Index	326.92	
3 year Govt bond		2.96%		2.22%			<b>NZD</b>	
5 year Govt bond		3.13%		2.50%		NZ Carbon	75.25	
10 year Govt bond		3.30%		2.77%				

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