

Market Alert

Tuesday 29 March 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6897	-0.0026
NZD/AUD	0.9199	-0.0065
NZD/JPY	85.22	-0.95
NZD/EUR	0.6278	-0.0082
NZD/GBP	0.5267	-0.0022
NZD/CNH	4.4048	0.0204
AUD/USD	0.7497	0.0025
AUD/EUR	0.6824	-0.0041
EUR/USD	1.0986	0.0103
USD/CNH	6.3867	0.0538
GBP/USD	1.3094	0.0005
EUR/GBP	0.8390	0.0075

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.51%	0.21%
2 year swap	3.25%	2.18%
10 year Govt	3.33%	2.89%

What is going on with these bond markets?

Bond yields were once again in the speculators 'cross-hairs' as the 10-year US yield reached a session high of 2.55% which saw the 5-year versus 30-year yield spread invert. An inversion of the yield curve seen as a classic recessionary signal, but which part of the yield curve that needs to invert is a hotly debated matter given the longer term recessionary implications.

While most commentators will agree, the Federal Reserve is 'behind the curve,' and the market is already pricing in a further 200bps of hikes by calendar year end, the

jury is still out on whether the Fed can engineer a soft landing. As an fyi, since the 10-year yield peaked, it has eased back to its current level of 2.46% while the German bund is steady at 0.58%.

With talk of inverted curves, the Federal Reserve has dusted off and updated a paper from 2018 arguing that an inversion doesn't necessarily signal anything, with the authors, stating "We have provided statistical evidence indicating that the perceived omniscience of the 2-10 spread that pervades market commentary is probably spurious. We argue there is no need to fear the 2-10 spread, or any other spread measure for that matter." While it is impressive that the authors have maintained a degree of consistency in their findings, it is worth remembering that in August 2019 the US 2x10-year spread inverted, and we all know what happened in 2020!

Speaking of bonds, the BoJ announced it would be offering to purchase an unlimited amount of Japanese Government Bonds (JGB's) at 0.25% as part of its yield curve control program and ongoing 'loose' monetary policy. As you may recall, the BoJ's target for the 10-year JGB is around the 0.00% level, so with longer term JGB yield's tracking higher, the BoJ are keen to bring the 10-year yield back into line ... the only issue was they couldn't find any offers! This triggered further selling of yen as the USD/JPY took out barrier options at 122.50 and traded to a high above 125.10, its highest since late 2015, before it eased

back to 123.70 The NZD also came under selling pressure against the USD and on the crosses, and while speculators tried to pressure the AUD lower, it is proving to be resilient.

Equity markets were broadly flat overnight although oil prices plunged -7.0% overnight amid fuel demand concerns in China after Shanghai suspended public transport and launched phased lockdowns to curb the surge of Omicron cases. Furthermore, it has emerged the EU Council summit last week failed to agree on additional sanctions against Russia, despite Biden's presence.

Amidst the Shanghai lockdowns, the authorities announced ports will remain open 24/7 while Chinese chipmaker, SMIC, announced operations will remain normal at its Shanghai plants.

Chris Rock? The man can take a punch!

In terms of actual data, US wholesale inventories rose 2.1% on the month, with the January numbers also revised up 1.1%, while the US goods trade deficit narrowed to USD106.59 billion in February from January's revised all-time high of USD107.57 billion.

Finally, the Australian quarterly NAB business survey highlighted that Q1 2022 business confidence fell to 14 from 19.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Tuesday 29 March 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.74					CAD	0.8641	0.9393
NZD/USD	0.6897	-0.0003	-0.0011	-0.0026	-0.0052	CHF	0.6450	0.7012
NZD/AUD	0.9199	-0.0007	-0.0029	-0.0065	-0.0119	CNY	4.3957	4.7786
NZD/JPY	85.22	-0.09	-0.37	-0.95	-2.45	DKK	4.6701	5.0768
NZD/EUR	0.6278	-0.0009	-0.0034	-0.0082	-0.0188	FJD	1.4426	1.5689
NZD/GBP	0.5267	-0.0002	-0.0008	-0.0022	-0.0057	HKD	5.3998	5.8700
						KRW	844.82	918.44
AU TWI	64.10					MYR	2.9105	3.1615
AUD/USD	0.7497	0.0003	0.0011	0.0025	0.0043	NOK	6.0117	6.5351
AUD/NZD	1.0871	0.0009	0.0034	0.0077	0.0142	SEK	6.5488	7.1191
AUD/JPY	92.65	-0.03	-0.11	-0.39	-1.49	SGD	0.9386	1.0204
AUD/EUR	0.6824	-0.0004	-0.0016	-0.0041	-0.0117	TWD	19.89	21.62
AUD/GBP	0.5726	0.0003	0.0010	0.0017	0.0013	ZAR	10.12	11.00
USD Index	99.08					EQUITIES		
EUR/USD	1.0986	0.0011	0.0042	0.0103	0.0255		Index	
USD/JPY	123.57	-0.08	-0.33	-0.93	-2.67	NZX50	11,910	
GBP/USD	1.3094	-0.0002	-0.0002	0.0005	0.0045	ASX200	7,412	
EUR/GBP	0.8390	0.0009	0.0033	0.0075	0.0165	Dow Jones	34,861	
						S&P 500	4,558	
						FTSE100	7,473	
						DAX 30	14,417	
						Nikkei	27,944	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Mid		Mid			USD	
30 day bank bills		1.20%		0.02%		Brent Crude	112.57	
90 day bank bills		1.51%		0.21%		Gold	1,923.53	
1 year swap		2.74%		1.23%		Silver	24.90	
2 year swap		3.25%		2.18%		Iron Ore	146.00	
3 year swap		3.39%		2.64%		CRB Index	326.92	
5 year swap		3.45%		2.98%			NZD	
10 year swap		3.52%		3.11%		NZ Carbon	76.00	
3 year Govt bond		3.00%		2.40%				
5 year Govt bond		3.17%		2.67%				
10 year Govt bond		3.35%		2.89%				

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