

Market Alert

Friday 4 March 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6802	-0.0025
NZD/AUD	0.9279	-0.0062
NZD/JPY	78.51	-0.71
NZD/EUR	0.6148	-0.0068
NZD/GBP	0.5095	-0.0013
NZD/CNH	4.2996	0.0294
AUD/USD	0.7330	0.0022
AUD/EUR	0.6625	-0.0029
EUR/USD	1.1064	0.0082
USD/CNH	6.3223	0.0669
GBP/USD	1.3350	-0.0017
EUR/GBP	0.8288	0.0072

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.34%	0.10%
2 year swap	2.77%	1.41%
10 year Govt	2.80%	2.17%

Central bank chit-chat

In today's testimony before the Senate Banking Committee, the Fed Chair, Jerome Powell, harked back to the tough old days of his predecessor, Chairman Volcker. In the early 1980's, he would "do what it takes" to maintain stable prices and rein in inflation.

He then noted the war is likely to aggravate supply chain disruptions, which could keep prices elevated longer. He also reiterated the Fed needs to take a "careful" approach to policy although he thought a quarter-point interest rate increase would be appropriate at the March meeting and

that he expects the Fed to make a "series" of increases, this year.

The ECB minutes confirmed the increasing hawkishness that we have heard from individual members, with an increasing unease about ultra-loose monetary policy and a growing willingness to start normalising.

Risks to the inflation outlook were tilted to the upside due to higher energy prices, a stronger than expected pass-through of higher producer prices to consumer prices, the continued overshooting of actual inflation developments compared with forecasts, and the notion that "longer-term inflation expectations had continued to converge to the 2% target." Some officials argued that asset purchases and negative rates were no longer appropriate with the data. The risk being the members would be tightening monetary policy too late rather than too early. On a positive note, unemployment dipped under 7.0% for the first time ever falling to 6.8% in January, down from 7.0% in December.

With US overnight data releases — initial claims eased to 215k from 232k while continuing claims were steady at 1,476k. The ISM services index fell to 56.5 when 61.1 was expected, durable goods orders were in line with expectations at 1.6%, and factory orders exceeded the expected 0.7% to hit 1.6%. Finally, the Markit services PMIs came in at 56.5 which saw the composite weaken slightly to 55.9.

Speaking of PMIs, the Markit services print in China hit 50.2, against a forecast of 50.7, as activity expanded at its slowest rate in 6 months, while the composite index was flat at 50.1.

Finally, in the Antipodes, the Australian trade balance smashed expectations at AUD12.89 billion in January as exports grew 8.0% while imports fell 2.0%, although Australian building approvals collapsed in January falling 27.9%. February services PMIs expanded to 57.4 from 56.4 while the composite touched 56.6 from 55.9 In New Zealand, the February commodity price index grew 3.9% on the month as, "Prices lifted across most commodity groups with dairy and aluminium leading the charge."

The great pause

Considering the recent price action, last night was, in comparison, a quiet night! I suspect it was a case of exhaustion as traders paused to review the recent price-action and take stock, excuse the pun, ahead of tonight's non-farm payroll numbers. Yes, European equities were in a state of flux once again, down another 2.0%, but the US bourses are broadly flat, as is the T-bond yield at 1.855%.

It was a similar story in commodity markets with oil modestly lower, although there were some interesting moves in the currency markets where the EUR was hit hard which saw AUD/EUR explode to a 3 year high.



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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	72.86					CAD	0.8619	0.9289
NZD/USD	0.6802	-0.0003	-0.0011	-0.0025	-0.0062	CHF	0.6250	0.6735
NZD/AUD	0.9279	-0.0007	-0.0027	-0.0062	-0.0128	CNY	4.2982	4.6324
NZD/JPY	78.51	-0.08	-0.29	-0.71	-1.86	DKK	4.5731	4.9287
NZD/EUR	0.6148	-0.0008	-0.0029	-0.0068	-0.0163	FJD	1.4378	1.5496
NZD/GBP	0.5095	-0.0002	-0.0006	-0.0013	-0.0038	HKD	5.3146	5.7278
						KRW	819.27	882.97
AU TWI	61.60					MYR	2.8394	3.0602
AUD/USD	0.7330	0.0003	0.0010	0.0022	0.0035	NOK	6.0615	6.5328
AUD/NZD	1.0778	0.0009	0.0032	0.0072	0.0151	SEK	6.6264	7.1417
AUD/JPY	84.61	-0.02	-0.06	-0.20	-0.85	SGD	0.9228	0.9945
AUD/EUR	0.6625	-0.0004	-0.0012	-0.0029	-0.0085	TWD	19.04	20.52
AUD/GBP	0.5491	0.0003	0.0010	0.0023	0.0035	ZAR	10.3310	11.1343
USD Index	97.77					EQUITIES		
EUR/USD	1.1064	0.0011	0.0035	0.0082	0.0197		Index	
USD/JPY	115.43	-0.07	-0.24	-0.62	-1.69	NZX50	12,211	
GBP/USD	1.3350	-0.0001	-0.0007	-0.0017	-0.0022	ASX200	7,151	
EUR/GBP	0.8288	0.0009	0.0030	0.0072	0.0162	Dow Jones	33,987	
						S&P 500	4,385	
						FTSE100	7,239	
						DAX 30	13,698	
						Nikkei	26,577	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		1.08%	1.05%	0.02%	0.02%	Dubai Light	118.53	
90 day bank bills		1.36%	1.34%	0.12%	0.08%	Brent Crude	112.50	
FRA 90d in 3mths		2.09%	2.06%	0.39%	0.36%	Gold	1,934.70	
FRA 180d in 6mths		2.93%	2.78%	1.26%	1.25%	Silver	25.16	
1 year swap		2.25%	2.23%	0.68%	0.67%	CRB Index	307.44	
2 year swap		2.78%	2.76%	1.42%	1.40%		NZD	
3 year swap		2.94%	2.92%	1.80%	1.78%	NZ Carbon	79.00	
5 year swap		3.04%	3.02%	2.10%	2.09%			
10 year swap		3.08%	3.06%	2.47%	2.44%			
10 year Govt bond			2.78%		2.17%			

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