

Market Alert

Tuesday 12 April, 2022

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6829 | -0.0023 |
| NZD/AUD | 0.9198 | -0.0061 |
| NZD/JPY | 85.65 | -1.00 |
| NZD/EUR | 0.6273 | -0.0082 |
| NZD/GBP | 0.5242 | -0.0023 |
| NZD/CNH | 4.3618 | 0.0208 |
| AUD/USD | 0.7425 | 0.0024 |
| AUD/EUR | 0.6821 | -0.0044 |
| EUR/USD | 1.0886 | 0.0107 |
| USD/CNH | 6.3870 | 0.0525 |
| GBP/USD | 1.3029 | 0.0011 |
| EUR/GBP | 0.8355 | 0.0075 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 1.00% | 0.10% |
| 90 day bills | 1.70% | 0.30% |
| 2 year swap | 3.63% | 2.44% |
| 10 year Govt | 3.50% | 3.01% |

Making history at the Masters

Scottie Scheffler has concluded a dominant performance at the 2022 Masters by unsurprisingly taking out the top spot. Scheffler has been on such a hot streak that he has won all four of his first PGA Tour events in just a 57 day span, marking the shortest stretch from a first to fourth victory in PGA Tour history.

In less exciting and more alarming news, the global FOA Food Price index increased 12.6% in March, and almost 75% since mid-2020, placing the index at its highest level since inception in 1990.

Locally, New Zealand retail spending has continued to trend lower falling -1.3% on the month and -0.5% on the year, although it was somewhat better than February's monthly -7.8% decline.

Meanwhile, the NZIER's shadow Reserve Bank of New Zealand ("RBNZ") board were 'sharply divided' over whether to hike rates 25 or 50 bps this week given that, "While supply-side constraints are driving much of the increase in inflation, the recent rise in longer-term inflation expectations raises the risk of a wage-price spiral developing. The recent weakening in business and consumer confidence due to uncertainty stemming from the spread of the Omicron variant and the war in Ukraine were provided as reasons for a more measured pace of monetary tightening."

Overnight, US consumer inflation expectations for the year ahead jumped to a fresh record high of 6.6% in March from 6.0% in February while medium-term expectations declined to 3.7% from 3.8%. We also had Chicago Fed President, Charles Evans, state that a half-percentage point increase in the Fed's benchmark rate "is obviously worthy of consideration" in its attempts to navigate the funds rate to a 'neutral setting,' which he believes to be in the 2.25-2.5% range.

In the UK, growth increased 0.1% on the month and 1.0% on the quarter, which was broadly in line with expectations, while industrial and manufacturing production also gained 0.3% on the month.

Chinese inflation rose to a 3-month high hitting 1.5% in the year to March, from February's 0.9%, driven by higher transport-related costs although it is some-way short of the Government's 3.0% target for 2022. PPI pricing pressures were higher than expected at 8.3% vs. 7.9% although this was lower than 8.8% the previous months.

In other news, the International Energy Agency ("IEA") has agreed to join the USA and release 60 million barrels of oil from its strategic reserves over the next 6-months.

The reaction from all of the action

With markets increasingly focused on the longer-term implications of the Ukrainian conflict, and central banks becoming more aggressive in their intentions to tackle surging inflation, markets rushed to safe haven assets. This saw equity markets under pressure with European and US bourses off between -0.50% and -1.50% while bond selling saw the US 10-year yield reach an incredible 2.78%.

To put this in context, the US yield has now risen 40 points in April while the German 10-year bund has rallied 24.5 bps to reached 0.82%. This spike in yields saw the USD gain support, which saw the NZD, AUD and EUR remain under pressure, while oil markets sold off -4.0% on the IEA release.



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Daily Rates

Tuesday 12 April, 2022

| FX | Spot | FECs (mid) | | | | Spot Mid | |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|---------------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... |
| NZ TWI | 73.75 | | | | | CAD | 0.8625 0.9377 |
| NZD/USD | 0.6829 | -0.0003 | -0.0010 | -0.0023 | -0.0052 | CHF | 0.6361 0.6915 |
| NZD/AUD | 0.9198 | -0.0008 | -0.0029 | -0.0061 | -0.0110 | CNY | 4.3521 4.7299 |
| NZD/JPY | 85.65 | -0.09 | -0.38 | -1.00 | -2.63 | DKK | 4.6669 5.0734 |
| NZD/EUR | 0.6273 | -0.0009 | -0.0034 | -0.0082 | -0.0192 | FJD | 1.4374 1.5630 |
| NZD/GBP | 0.5242 | -0.0002 | -0.0007 | -0.0023 | -0.0061 | HKD | 5.3536 5.8208 |
| | | | | | | KRW | 843.48 917.03 |
| AU TWI | 63.90 | | | | | MYR | 2.8897 3.1415 |
| AUD/USD | 0.7425 | 0.0003 | 0.0013 | 0.0024 | 0.0033 | NOK | 6.0191 6.5450 |
| AUD/NZD | 1.0872 | 0.0009 | 0.0034 | 0.0073 | 0.0132 | SEK | 6.4855 7.0489 |
| AUD/JPY | 93.12 | -0.02 | -0.12 | -0.48 | -1.76 | SGD | 0.9323 1.0137 |
| AUD/EUR | 0.6821 | -0.0004 | -0.0016 | -0.0044 | -0.0128 | TWD | 19.84 21.56 |
| AUD/GBP | 0.5700 | 0.0002 | 0.0009 | 0.0013 | 0.0002 | ZAR | 9.95 10.81 |
| USD Index | 99.96 | | | | | EQUITIES | |
| EUR/USD | 1.0886 | 0.0011 | 0.0044 | 0.0107 | 0.0257 | | Index |
| USD/JPY | 125.41 | -0.08 | -0.38 | -1.05 | -2.93 | NZX50 | 11,932 |
| GBP/USD | 1.3029 | -0.0002 | 0.0000 | 0.0011 | 0.0052 | ASX200 | 7,485 |
| EUR/GBP | 0.8355 | 0.0010 | 0.0034 | 0.0075 | 0.0163 | Dow Jones | 34,721 |
| | | | | | | S&P 500 | 4,421 |
| INTEREST RATES | | | New Zealand | | Australia | FTSE100 | 7,618 |
| | | | Mid | | Mid | DAX 30 | 14,193 |
| 30 day bank bills | | | 1.44% | | 0.03% | Nikkei | 26,822 |
| 90 day bank bills | | | 1.70% | | 0.30% | COMMODITIES | |
| 1 year swap | | | 3.00% | | 1.48% | | USD |
| 2 year swap | | | 3.63% | | 2.44% | Brent Crude | 98.50 |
| 3 year swap | | | 3.73% | | 2.72% | Gold | 1,952.43 |
| 5 year swap | | | 3.73% | | 3.02% | Silver | 25.02 |
| 10 year swap | | | 3.72% | | 3.27% | Iron Ore | 150.00 |
| 3 year Govt bond | | | 3.34% | | 2.52% | CRB Index | 317.29 |
| 5 year Govt bond | | | 3.44% | | 2.76% | | NZD |
| 10 year Govt bond | | | 3.51% | | 3.01% | NZ Carbon | 75.50 |

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