

# Market Alert

Thursday 7 April, 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6916	-0.0026
NZD/AUD	0.9210	-0.0059
NZD/JPY	85.61	-1.01
NZD/EUR	0.6345	-0.0086
NZD/GBP	0.5290	-0.0024
NZD/CNH	4.3980	0.0202
AUD/USD	0.7511	0.0020
AUD/EUR	0.6890	-0.0050
EUR/USD	1.0899	0.0108
USD/CNH	6.3591	0.0532
GBP/USD	1.3075	0.0010
EUR/GBP	0.8336	0.0077

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.67%	0.24%
2 year swap	3.58%	2.47%
10 year Govt	3.42%	2.93%

## A hawkish Fed knows no bounds

The minutes from the Federal Reserve's March meeting highlighted 'many' officials favoured raising rates by 0.50% last month, but they deferred to a 0.25% move in light of Russia's invasion of Ukraine. They also viewed one or more 0.50% increases as potentially appropriate, going forward, should price pressures fail to moderate.

The minutes also shed some light on their thinking regarding their thoughts on quantitative tightening ("QT") with the potential for a maximum pace of reductions set at USD95 billion a month,

further tightening credit conditions. This would incorporate USD60 billion in Treasuries and USD35 billion in mortgage backed securities, which is nearly double the peak rate of the USD50 billion a month the last time the Fed trimmed its balance sheet from 2017 to 2019.

With the current market priced hiking cycle, and the aggressive nature of the QT programme adding to tightening pressures, treasury markets immediately sold-off which saw the US 10-year yield firm to 2.60% although it did trade as high as 2.655%. Equity markets also came under pressure, especially the Nasdaq which is currently off -2.0%, while commodity prices eased back with oil off -5.0%. Interestingly, the US dollar found some support, which saw the NZD, AUD, and EUR all sell-off, while NZD/AUD firmed back to the middle of its 0.9200-0.9400 range.

In amongst the Fed's headlines, Deutsche Bank announced, "We no longer see the Fed achieving a soft landing. Instead, we anticipate that a more aggressive tightening of monetary policy will push the economy into a recession." They are a little uncertain on the timing but expect GDP to contract in Q4 2023 and Q1 2024 generating a "mild recession" with unemployment peaking above 5% in 2024.

## Adding to global hiking calls

Last night also saw the release of Eurozone producer prices, which eased back to 1.1%

when 1.2% was expected, while German factory orders fell -2.2% in March giving up February's 2.3% gains, and while these gains weren't necessarily positive, ECB member Dr Joachim Nagel stated, "savers may soon enjoy higher interest rates."

The knock-on impact to RBA Governor, Philip Lowe, dropping his "patient" policy stance at Tuesday's meeting has seen the local market fully price in a 36% chance of a 0.50% cash rate in June, prompting economists from Goldman Sachs, Barclays, Deutsche Bank and ANZ to join the June rate-hike call.

The commodity price index of New Zealand's 17-core exports hit a new record in March up + 3.9%, which followed on from February's 3.9% gain although, in local currency terms, the index gained just 0.5%, as local returns were eroded by a 3.1% gain in the trade weighted index.

Standard Chartered announced Chinese stocks have likely seen their bottom and will most likely outperform their global peers as "Chinese authorities will continue to ease monetary policy and step up fiscal stimulus in order to hit its ambitious GDP growth target." Unsurprisingly, with China locking-down for COVID-19, the Caixin services PMI for March hit a 2 year low at 42.0, which was down from February's 50.2, while composite PMIs came in at 43.9 from 50.1.

Moody's are expecting further supply chain strains for APAC companies amid energy and raw material cost pressures.



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# Daily Rates

Thursday 7 April, 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.66					CAD	0.8668	0.9413
NZD/USD	0.6916	-0.0003	-0.0011	-0.0026	-0.0054	CHF	0.6452	0.7006
NZD/AUD	0.9210	-0.0008	-0.0028	-0.0059	-0.0104	CNY	4.3973	4.7753
NZD/JPY	85.61	-0.09	-0.37	-1.01	-2.62	DKK	4.7191	5.1241
NZD/EUR	0.6345	-0.0009	-0.0034	-0.0086	-0.0198	FJD	1.4463	1.5705
NZD/GBP	0.5290	-0.0002	-0.0008	-0.0024	-0.0061	HKD	5.4209	5.8862
						KRW	841.95	914.20
AU TWI	64.90					MYR	2.9209	3.1761
AUD/USD	0.7511	0.0003	0.0012	0.0020	0.0025	NOK	6.0842	6.6063
AUD/NZD	1.0859	0.0009	0.0034	0.0070	0.0124	SEK	6.5507	7.1130
AUD/JPY	92.96	-0.02	-0.12	-0.51	-1.81	SGD	0.9406	1.0213
AUD/EUR	0.6890	-0.0004	-0.0016	-0.0050	-0.0139	TWD	19.88	21.58
AUD/GBP	0.5744	0.0004	0.0010	0.0012	-0.0002	ZAR	10.15	11.02
USD Index	99.64					<b>EQUITIES</b>		
EUR/USD	1.0899	0.0010	0.0042	0.0108	0.0263		<b>Index</b>	
USD/JPY	123.79	-0.07	-0.35	-1.01	-2.82	NZX50	12,079	
GBP/USD	1.3075	-0.0002	-0.0001	0.0010	0.0050	ASX200	7,490	
EUR/GBP	0.8336	0.0009	0.0033	0.0077	0.0168	Dow Jones	34,641	
						S&P 500	4,480	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,588	
			<b>Mid</b>		<b>Mid</b>	DAX 30	14,152	
30 day bank bills			1.35%		0.02%	Nikkei	27,350	
90 day bank bills			1.67%		0.24%	<b>COMMODITIES</b>		
1 year swap			2.96%		1.49%		<b>USD</b>	
2 year swap			3.58%		2.47%	Brent Crude	101.85	
3 year swap			3.67%		2.77%	Gold	1,925.88	
5 year swap			3.66%		3.06%	Silver	24.46	
10 year swap			3.62%		3.21%	Iron Ore	154.00	
3 year Govt bond			3.28%		2.56%	CRB Index	317.21	
5 year Govt bond			3.37%		2.79%		<b>NZD</b>	
10 year Govt bond			3.42%		2.93%	NZ Carbon	76.00	

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