

# Market Alert

Friday 24 February 2023

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.6226 | -0.0001 |
| NZD/AUD    | 0.9145 | -0.0058 |
| NZD/JPY    | 84.00  | -2.26   |
| NZD/EUR    | 0.5869 | -0.0061 |
| NZD/GBP    | 0.5179 | -0.0021 |
| NZD/CNH    | 4.3057 | -0.0551 |
| AUD/USD    | 0.6806 | 0.0042  |
| AUD/EUR    | 0.6421 | -0.0026 |
| EUR/USD    | 1.0596 | 0.0106  |
| USD/CNH    | 6.9160 | -0.0879 |
| GBP/USD    | 1.2018 | 0.0047  |
| EUR/GBP    | 0.8815 | 0.0053  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 4.75% | 3.35%     |
| 90 day bills | 5.11% | 3.56%     |
| 2 year swap  | 5.34% | 4.15%     |
| 10 year Govt | 4.69% | 3.98%     |

## The ying and the yang!

Yesterday, RBNZ Governor Adrian Orr announced, “cyclone-related inflationary pressure may require higher rates for longer (although) there would need to be a large inflationary shock to return to 75bp rate hikes. There are early signs of price pressures beginning to ease in the global economy (while) the RBNZ is optimistic about a return to steady, low inflation. The RBNZ has been aggressive in its tightening.”

But while Mr. Orr’s messaging is more balanced than his November rhetoric, there is no doubt that the possibility of inflation becoming more embedded in the domestic economy due to the recent weather-related events has contributed to the further rally in local IRS rates, especially as the 10-year US treasury

fell 4bps to 3.87%. But apart from this, broadly speaking, there was little movement in financial markets overnight with equity, commodity, and FX markets predominately flat.

On a side note, there was some potentially positive news for beef farmers after Brazil halted exports to China after an outbreak of mad cow disease.

## The USA corner.

The Fed minutes suggested that the peak Fed funds rate could be within levels already priced in by markets, and while the majority of Fed officials backed the 25bps rate rise in February, some members did call for a 50bps hike.

Overnight US Q4 GDP expanded at an annualized 2.7%, slightly below estimates at 2.9% as personal consumption plummeted from 2.1% to 1.4%. Unfortunately, the price index, rose to 3.9% from 3.5% to underpin inflationary pressures, while the PCE deflator, another closely watched inflation measure, was up to 4.3% from 3.9% previously. In other headlines, the Chicago Feds national activity index rose to 0.23 in January from December’s revised -0.46, while initial claims fell by 3k to 192k in the week ending 18-February, below forecasts of 200k.

New York Fed President John Williams “Our job is clear, to make sure we restore price stability. While goods’ prices have come down in the last several months, there are signs it’s not as quickly as hoped.

We have demand exceeding supply, the labour market is extraordinarily strong, and monetary policy must bring demand and supply back into balance. We don’t want to allow inflation expectations to slip.”

Richard Clarida, former Vice Chairman of the Fed’s Board of Governors and current PIMCO MD, announced, “Markets are finally listening to the Fed’s ‘on-going increases’ messaging” as the “blockbuster U.S. employment report for January, the higher-than-expected CPI inflation, and stronger-than-expected data on retail sales” have “triggered markets to price in not only the 2-additional rate hikes indicated by the Fed but also a material likelihood of at least one additional hike after that, which would bring the top of the range for the federal funds rate to 5.50%.”

PIMCO’s Columbia Property Trust defaulted on about USD1.7 billion of mortgage notes on seven buildings in New York, Boston, San Francisco, and Jersey City.

## And the best of the rest.

In the Euro-zone headline inflation ticked up to 8.6% from 8.5% to essentially cement in the ECB’s 50bps rate hike next month. On the month inflation fell -0.2% while core inflation reached 5.3%, above forecasts at 5.2%

BoE policymaker Catherine Mann announced, “more tightening is needed, and caution that a pivot is not imminent,” as she sees, “an extended persistence of inflation into this year and next.”



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# Daily Rates

Friday 24 February 2023

| FX                    | Spot   | FECs (mid) |                    |         |                  | Spot Mid           |              |        |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|--------------|--------|
|                       | Mid    | 1mth       | 3mths              | 6mths   | 12mths           | NZD/...            | AUD/...      |        |
| NZ TWI                | 71.10  |            |                    |         |                  | CAD                | 0.8432       | 0.9226 |
| NZD/USD               | 0.6226 | -0.0001    | 0.0000             | -0.0001 | -0.0005          | CHF                | 0.5808       | 0.6352 |
| NZD/AUD               | 0.9145 | -0.0010    | -0.0030            | -0.0058 | -0.0110          | CNY                | 4.2956       | 4.7030 |
| NZD/JPY               | 84.00  | -0.33      | -1.10              | -2.26   | -4.68            | DKK                | 4.3729       | 4.7803 |
| NZD/EUR               | 0.5869 | -0.0011    | -0.0031            | -0.0061 | -0.0124          | FJD                | 1.3561       | 1.4825 |
| NZD/GBP               | 0.5179 | -0.0004    | -0.0010            | -0.0021 | -0.0051          | HKD                | 4.8853       | 5.3404 |
|                       |        |            |                    |         |                  | KRW                | 807.16       | 882.35 |
| AU TWI                | 61.90  |            |                    |         |                  | MYR                | 2.7587       | 3.0157 |
| AUD/USD               | 0.6806 | 0.0007     | 0.0022             | 0.0042  | 0.0071           | NOK                | 6.4218       | 7.0200 |
| AUD/NZD               | 1.0931 | 0.0009     | 0.0034             | 0.0067  | 0.0120           | SEK                | 6.4949       | 7.1000 |
| AUD/JPY               | 91.93  | -0.26      | -0.91              | -1.90   | -4.06            | SGD                | 0.8356       | 0.9134 |
| AUD/EUR               | 0.6421 | -0.0005    | -0.0014            | -0.0026 | -0.0059          | TWD                | 18.91        | 20.67  |
| AUD/GBP               | 0.5661 | 0.0002     | 0.0007             | 0.0012  | 0.0011           | ZAR                | 11.34        | 12.40  |
| USD Index             | 104.64 |            |                    |         |                  | <b>EQUITIES</b>    |              |        |
| EUR/USD               | 1.0596 | 0.0018     | 0.0056             | 0.0106  | 0.0204           |                    | <b>Index</b> |        |
| USD/JPY               | 134.55 | -0.51      | -1.77              | -3.61   | -7.41            | NZX50              | 11,889       |        |
| GBP/USD               | 1.2018 | 0.0006     | 0.0023             | 0.0047  | 0.0097           | ASX200             | 7,285        |        |
| EUR/GBP               | 0.8815 | 0.0010     | 0.0030             | 0.0053  | 0.0095           | Dow Jones          | 33,061       |        |
|                       |        |            |                    |         |                  | S&P 500            | 3,991        |        |
| <b>INTEREST RATES</b> |        |            | <b>New Zealand</b> |         | <b>Australia</b> | FTSE100            | 7,908        |        |
|                       |        |            | <b>Mid</b>         |         | <b>Mid</b>       | DAX 30             | 15,476       |        |
| 30 day bank bills     |        |            | 4.85%              |         | 3.39%            | Nikkei             | 27,104       |        |
| 90 day bank bills     |        |            | 5.11%              |         | 3.56%            | <b>COMMODITIES</b> |              |        |
| 1 year swap           |        |            | 5.54%              |         | 4.06%            |                    | <b>USD</b>   |        |
| 2 year swap           |        |            | 5.34%              |         | 4.15%            | Brent Crude        | 81.99        |        |
| 3 year swap           |        |            | 5.08%              |         | 4.06%            | Gold               | 1,823.75     |        |
| 5 year swap           |        |            | 4.77%              |         | 4.00%            | Silver             | 21.30        |        |
| 10 year swap          |        |            | 4.65%              |         | 4.27%            | Iron Ore           | 125.77       |        |
| 3 year Govt bond      |        |            | 4.88%              |         | 3.65%            | CRB Index          | 290.69       |        |
| 5 year Govt bond      |        |            | 4.67%              |         | 3.71%            |                    | <b>NZD</b>   |        |
| 10 year Govt bond     |        |            | 4.69%              |         | 3.98%            | NZ Carbon          | 67.00        |        |

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