

# Market Alert

Tuesday 28 February 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6171	-0.0002
NZD/AUD	0.9151	-0.0059
NZD/JPY	83.87	-2.30
NZD/EUR	0.5829	-0.0061
NZD/GBP	0.5116	-0.0022
NZD/CNH	4.2949	-0.0580
AUD/USD	0.6742	0.0042
AUD/EUR	0.6354	-0.0026
EUR/USD	1.0607	0.0107
USD/CNH	6.9584	-0.0922
GBP/USD	1.2061	0.0042
EUR/GBP	0.8794	0.0053

  

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.35%
90 day bills	5.17%	3.60%
2 year swap	5.43%	4.18%
10 year Govt	4.71%	3.97%

## Quiet session ahead of month-end!

Ahead of a new month, financial markets were quiet with data releases while the various central bank speeches were incredibly dull! Equity markets made modest gains, bonds yields consolidated as the T-bond fell 2bps lower at 3.92% and currencies flatlined although, Citibank announced they expect US-dollar buying for the month-end fixings. Commodities were mixed with oil down -1.75% while natural gas gained 5.5%.

US durable goods orders fell 4.5% in January and greater than the -4.0% expected but better than December's revised -5.1%. The main driver was a pullback in plane orders although, on a positive note, business investment rose

at the fastest pace in 5-months in a sign of strength for the economy. In other news, the Atlanta Fed Q1 GDPNow tracker increased to 2.8% from 2.7%.

In the Euro-area, economic confidence unexpectedly slowed this month as the bounce in economic sentiment starts to wobble defying expectations of a continued rebound. Meanwhile, the number of German companies reporting shortages of key materials fell to its lowest level since April 2021 according to the Ifo Institute.

NZ Q4 retail sales plummeted -0.6% from Q3's 0.4% gain, while, on the year, sales fell to -4.0% from 4.9%. In Australia, business inventories in Q4 22 fell -0.2% in-line with expectations.

This should support the AUD – China has approved the construction of another 106 gigawatts of coal-fired power capacity in 2022, which was 4x higher than what was approved in 2021 and the highest level since 2015. So much for the battle against global warming!

ECB and Banca d'Italia Governor, Ignazio Visco, announced, "I don't think that we can indicate now what the terminal rate will be, not even if it'll be 3.5%, 3.25% or 3.75%, because it really is data-dependent," while his ECB boss, Christine Lagarde, added, "there is every reason to believe that we will do another 50 basis points in March. After that, we will see. We are data dependent." Finally, the ECB's Boris Vujcic added, "markets are right to price in 50bps at the March meeting. The ECB will soon be in restrictive territory."

As markets project strong US growth and further FOMC rate hikes, Goldman Sachs has turned bullish on USD/JPY given "we've repeatedly said that US real rates should matter most. The current market environment looks less favourable for significant dollar-yen downside, even in the case of a hawkish BoJ policy shift."

## On the peripheral

Stock buybacks by S&P500 companies are projected to top USD1 trillion in 2023, which is a positive after Morgan Stanley rung the alarm bells stating, "the earnings recession is far from over. March is a high risk month for the next leg lower in stocks," while Credit Suisse also announced they are cautious on equities and recommend selling into rallies.

The lithium market faces a potential supply shock after China launched an investigation into illegal mining after ore-processors in the Jiangxi province were ordered to halt work. Analysts said the move threatens between 8%-13% of global supply.

EU and UK have finally struck a Brexit deal on Northern Ireland.



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# Daily Rates

Tuesday 28 February 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.90					CAD	0.8374	0.9129
NZD/USD	0.6171	0.0000	-0.0001	-0.0002	-0.0007	CHF	0.5773	0.6309
NZD/AUD	0.9151	-0.0011	-0.0030	-0.0059	-0.0113	CNY	4.2788	4.6689
NZD/JPY	83.87	-0.39	-1.12	-2.30	-4.72	DKK	4.3289	4.7294
NZD/EUR	0.5829	-0.0012	-0.0032	-0.0061	-0.0120	FJD	1.3506	1.4756
NZD/GBP	0.5116	-0.0003	-0.0010	-0.0022	-0.0047	HKD	4.8403	5.2882
						KRW	811.59	886.68
AU TWI	61.40					MYR	2.7621	3.0177
AUD/USD	0.6742	0.0008	0.0022	0.0042	0.0072	NOK	6.3816	6.9720
AUD/NZD	1.0922	0.0013	0.0035	0.0068	0.0123	SEK	6.4197	7.0137
AUD/JPY	91.56	-0.32	-0.92	-1.94	-4.11	SGD	0.8307	0.9076
AUD/EUR	0.6354	-0.0005	-0.0015	-0.0026	-0.0056	TWD	18.91	20.66
AUD/GBP	0.5589	0.0003	0.0007	0.0013	0.0017	ZAR	11.36	12.41
USD Index	104.66					<b>EQUITIES</b>		
EUR/USD	1.0607	0.0021	0.0056	0.0107	0.0204		<b>Index</b>	
USD/JPY	136.11	-0.63	-1.79	-3.70	-7.47	NZX50	11,793	
GBP/USD	1.2061	0.0007	0.0020	0.0042	0.0086	ASX200	7,225	
EUR/GBP	0.8794	0.0012	0.0030	0.0053	0.0100	Dow Jones	32,977	
						S&P 500	3,991	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,935	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,381	
30 day bank bills			4.85%		3.41%	Nikkei	27,424	
90 day bank bills			5.17%		3.60%	<b>COMMODITIES</b>		
1 year swap			5.56%		4.12%		<b>USD</b>	
2 year swap			5.43%		4.18%	Brent Crude	81.82	
3 year swap			5.18%		4.08%	Gold	1,818.21	
5 year swap			4.87%		4.04%	Silver	20.68	
10 year swap			4.69%		4.27%	Iron Ore	125.85	
3 year Govt bond			4.93%		3.68%	CRB Index	291.91	
5 year Govt bond			4.72%		3.73%		<b>NZD</b>	
10 year Govt bond			4.71%		3.97%	NZ Carbon	68.00	

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