

# Market Alert

Monday 20 March 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6295	-0.0022
NZD/AUD	0.9368	-0.0088
NZD/JPY	82.64	-2.39
NZD/EUR	0.5876	-0.0078
NZD/GBP	0.5148	-0.0035
NZD/CNH	4.3005	0.0000
AUD/USD	0.6716	0.0040
AUD/EUR	0.6275	-0.0025
EUR/USD	1.0701	0.0097
USD/CNH	6.8868	0.0000
GBP/USD	1.2221	0.0029
EUR/GBP	0.8755	0.0049

  

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.60%
90 day bills	5.16%	3.74%
2 year swap	5.13%	3.42%
10 year Govt	4.48%	3.49%

## Volatility remains elevated!

It was great to watch another weekend of great sport and, temporarily, put the latest collapse of the global banking system to one side!

With the ying and yang of sentiment continuously adjusting between 'the risk has been ring-fenced' to 'watch out for contagion,' Friday night's session saw risk flows accelerate. UBS has reportedly agreed to acquire Credit Suisse for more than USD2bn after the Swiss National Bank ("SNB") offered a USD100bn liquidity line as part of the deal, while shares in US regional bank First Republic continued to fall despite Friday's USD30bn of deposits from the 'big banks.' This saw volatility surge once again, The VIX Index firming from 20% at the start of the month to close the week

out at 25.5%.

Once again equity markets were a 'sea of red' as concerns about the health of the banking sector kept investors on edge. First Republic bank eventually closed down 33% while the US shares of Credit Suisse finished the session down 7%. The economic data didn't help the USD either after the University of Michigan's consumer sentiment fell for the first time in four months, reaching 63.4 in March from February's 67.0, while industrial production was unchanged in February against expectations for a 0.2% gain. Once again bonds saw safe haven buying as yields plummeted, with the US 2-years off -28bps to 3.85% while the 10-years dropped -15bps to 3.40%.

Despite the pressures in the global banking system, the OECD advised the Fed and ECB to press on with rate hikes and not be blown off course. In amongst the chaos, the OECD sees US GDP growing 1.5% this year (up from November's 0.5% forecast) although it raised its core inflation forecast to 3.9%, from 3.6%. In the Eurozone, the OECD is forecasting growth at 0.8%, up from 0.5%, and core inflation of 5.2%, up from 4.7%.

Fed insider and WSJ journo Nick Timiraos announced, "*The Fed decision likely to be dependent on market response in coming days (Will likely) hike 25bps because skipping hike risks a market melt up. The case for a pause boils down to concerns that credit events can turn serious and it's better to move slowly. Everything we heard from the Fed is we have the tools to solve financial*

*stability problems so we can keep our eyes on the prize of restoring price stability.*"

Austrian central bank head Robert Holzmann stated over the weekend, "*Inflation is proving much tougher than we thought*" and, when asked how high rates could go, he advised, "*Some of us are hoping it will stay below 4%. I'm afraid it's probably going to go above 4%.*"

## And it's going to be just as volatile this week ...

... with central bank meetings from the Federal Reserve (expect +25bps), the BoE (potentially +25bps as well), SNB, and from the Norwegian central bank, the Norges Bank. There are also inflation releases from Japan, the UK, and Canada, while we have the Zew Economic Index from Germany. Finally, we have PMI releases from the US, Japan, UK, Euro Area, Germany, France, and Australia. We also have the minutes from the RBAs March meeting, the PBoC is expected to leave its loan prime rates unchanged, while the BoJ will release their Summary of Economic Opinions at Governor Kuroda's last meeting.



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# Daily Rates

Monday 20 March 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.10					CAD	0.8644	0.9201
NZD/USD	0.6295	-0.0001	-0.0004	-0.0022	-0.0062	CHF	0.5842	0.6193
NZD/AUD	0.9368	-0.0011	-0.0037	-0.0088	-0.0171	CNY	4.3019	4.5985
NZD/JPY	82.64	-0.42	-1.18	-2.39	-4.73	DKK	4.3899	4.6835
NZD/EUR	0.5876	-0.0012	-0.0036	-0.0078	-0.0154	FJD	1.3718	1.4638
NZD/GBP	0.5148	-0.0005	-0.0014	-0.0035	-0.0071	HKD	4.9409	5.2713
						KRW	823.62	878.70
AU TWI	60.70					MYR	2.8220	3.0108
AUD/USD	0.6716	0.0007	0.0022	0.0040	0.0060	NOK	6.6664	7.1122
AUD/NZD	1.0669	0.0010	0.0037	0.0094	0.0189	SEK	6.6101	7.0522
AUD/JPY	88.32	-0.34	-0.92	-1.74	-3.52	SGD	0.8431	0.8995
AUD/EUR	0.6275	-0.0006	-0.0014	-0.0025	-0.0053	TWD	19.28	20.57
AUD/GBP	0.5492	0.0001	0.0006	0.0014	0.0022	ZAR	11.63	12.40
USD Index	103.86					<b>EQUITIES</b>		
EUR/USD	1.0701	0.0018	0.0057	0.0097	0.0161		<b>Index</b>	
USD/JPY	132.47	-0.66	-1.79	-3.35	-6.18	NZX50	11,726	
GBP/USD	1.2221	0.0007	0.0023	0.0029	0.0032	ASX200	6,995	
EUR/GBP	0.8755	0.0008	0.0028	0.0049	0.0096	Dow Jones	31,862	
						S&P 500	3,197	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,335	
			<b>Mid</b>		<b>Mid</b>	DAX 30	14,768	
30 day bank bills			4.97%		3.66%	Nikkei	27,334	
90 day bank bills			5.16%		3.74%	<b>COMMODITIES</b>		
1 year swap			5.39%		3.48%		<b>USD</b>	
2 year swap			5.13%		3.42%	Brent Crude	72.97	
3 year swap			4.85%		3.50%	Gold	1,987.93	
5 year swap			4.55%		3.57%	Silver	22.59	
10 year swap			4.37%		3.90%	Iron Ore	130.00	
3 year Govt bond			4.69%		3.06%	CRB Index	279.04	
5 year Govt bond			4.50%		3.14%		<b>NZD</b>	
10 year Govt bond			4.48%		3.49%	NZ Carbon	66.00	

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