

Market Alert

Monday 27 March 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6194	-0.0012
NZD/AUD	0.9326	-0.0076
NZD/JPY	81.04	-2.24
NZD/EUR	0.5762	-0.0064
NZD/GBP	0.5063	-0.0022
NZD/CNH	4.2701	0.0000
AUD/USD	0.6647	0.0042
AUD/EUR	0.6172	-0.0019
EUR/USD	1.0766	0.0098
USD/CNH	6.8689	0.0000
GBP/USD	1.2225	0.0026
EUR/GBP	0.8796	0.0058

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.60%
90 day bills	5.18%	3.75%
2 year swap	4.85%	3.38%
10 year Govt	4.21%	3.33%

Contagion. Contagion. Contagion.

Friday night saw further selling of bank shares as the contagion effect started to impact. Initially traders sold Deutsche Bank stock after the bank announced it would redeem USD1.5bn of its tier 2 subordinated bonds. While the move was meant to bolster investor confidence, markets decided to “sell first and ask questions later.” This saw Deutsche’s shares fall -14% to a 3-year low while Commerzbank and Société Générale shares were marked down -9% and -7% respectfully.

ECB President Christine Lagarde tried to ease concerns stating the Euro-zone’s banking sector was resilient and that the ECB was equipped to provide liquidity to the financial system if needed.

Ms. Lagarde was also supported by a few colleagues, with Joachim Nagel emphasising the central bank will continue to keep raising interest rates should inflation develop as projected while adding “*We are prepared if something is coming, but we think the situation now is different to 2008.*” Dutch Chief Klaas Knot then added, “*It’s highly questionable whether maintaining rates only in mildly restrictive territory will be enough to generate the immediate disinflation that we probably all hope for. I still think we need to make another step in May,*” while Austrian National Bank Head Robert Holzmann then added, “*We will probably have to do more in May on rates.*”

But with the risk of a wider run on the banking sector imminent, post the European close, with most bourses -1.25% to -2.25% lower, the US markets turned and eventually closed the session in positive territory after S&P service PMIs rose strongly to reach 53.8 in March against expectations at 50.5, although manufacturing PMIs remained in contractionary territory at 49.3, which saw the composite index print at 53.3 against expectations at 49.5. Finally, durable goods orders fell -1.0% in February although the January print was revised higher to 5.0%.

It was a similar situation in the Euro-zone where services PMIs surged to 55.6 from 52.7, manufacturing PMIs plunged further, to 47.1 against expectations at 49.0 which, overall, saw the composite rally to 54.1.

UK March consumer confidence rose to -36.0 from -38.0 in February while BoE Governor Andrew Bailey said UK rates will “*have to go up further*” if inflation persists.

In Japan, February headline inflation fell to 3.3% against an expected 4.1%, although the core CPI flatlined at 3.1% while, preliminary manufacturing PMIs staged a modest recovery to 48.6 from 47.7. In Australia, preliminary manufacturing PMIs fell to 48.7 from 50.5 while services eased to 48.2 from 50.7.

It was another great weekend for NZ sport ...

... heck, even the All Whites scored a goal!

But looking further ahead, we suspect further turmoil in the banking sector will continue, with the Fed’s Vice Chair for Supervision, Michael Barr, set to testify before Senate and House committees. We also have US consumer income and spending, the PCE price index, and the final reading of US Q4 GDP growth. In the Euro-zone we have inflation and unemployment updates and, from Germany, Ifo Business Climate and GfK Consumer Confidence will take the spotlight. We also have the latest NBS PMI report from China, Japanese unemployment, retail sales and industrial production, while, from Australia we have retail sales and inflation, and NZ March business confidence.



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Daily Rates

Monday 27 March 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.90					CAD	0.8509	0.9129
NZD/USD	0.6194	0.0000	-0.0003	-0.0012	-0.0043	CHF	0.5698	0.6094
NZD/AUD	0.9326	-0.0011	-0.0035	-0.0076	-0.0155	CNY	4.2567	4.5609
NZD/JPY	81.04	-0.38	-1.11	-2.24	-4.45	DKK	4.2884	4.6020
NZD/EUR	0.5762	-0.0011	-0.0034	-0.0064	-0.0128	FJD	1.3571	1.4564
NZD/GBP	0.5063	-0.0004	-0.0011	-0.0022	-0.0046	HKD	4.8620	5.2176
						KRW	801.91	860.56
AU TWI	60.00					MYR	2.7415	2.9420
AUD/USD	0.6647	0.0007	0.0022	0.0042	0.0060	NOK	6.4811	6.9551
AUD/NZD	1.0709	0.0011	0.0034	0.0082	0.0160	SEK	6.4480	6.9195
AUD/JPY	86.82	-0.31	-0.88	-1.71	-3.40	SGD	0.8247	0.8850
AUD/EUR	0.6172	-0.0004	-0.0013	-0.0019	-0.0037	TWD	18.79	20.16
AUD/GBP	0.5433	0.0002	0.0008	0.0020	0.0040	ZAR	11.25	12.07
USD Index	103.12					EQUITIES		
EUR/USD	1.0766	0.0020	0.0056	0.0098	0.0160		Index	
USD/JPY	130.69	-0.61	-1.74	-3.37	-6.24	NZX50	11,581	
GBP/USD	1.2225	0.0008	0.0021	0.0026	0.0023	ASX200	6,955	
EUR/GBP	0.8796	0.0010	0.0030	0.0058	0.0112	Dow Jones	32,238	
						S&P 500	3,971	
INTEREST RATES			New Zealand		Australia	FTSE100	7,405	
			Mid		Mid	DAX 30	14,957	
30 day bank bills			5.01%		3.69%	Nikkei	27,385	
90 day bank bills			5.18%		3.75%	COMMODITIES		
1 year swap			5.20%		3.51%		USD	
2 year swap			4.85%		3.38%	Brent Crude	74.99	
3 year swap			4.58%		3.30%	Gold	1,977.22	
5 year swap			4.31%		3.34%	Silver	23.22	
10 year swap			4.20%		3.68%	Iron Ore	126.01	
3 year Govt bond			4.33%		2.90%	CRB Index	283.50	
5 year Govt bond			4.17%		2.98%		NZD	
10 year Govt bond			4.21%		3.33%	NZ Carbon	63.10	

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