

Market Alert

Tuesday 28 March 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6189	-0.0007
NZD/AUD	0.9313	-0.0073
NZD/JPY	81.12	-2.23
NZD/EUR	0.5762	-0.0060
NZD/GBP	0.5036	-0.0020
NZD/CNH	4.2575	-0.0658
AUD/USD	0.6646	0.0044
AUD/EUR	0.6155	-0.0018
EUR/USD	1.0793	0.0101
USD/CNH	6.8811	-0.0990
GBP/USD	1.2285	0.0031
EUR/GBP	0.8784	0.0056

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.60%
90 day bills	5.20%	3.75%
2 year swap	4.80%	3.48%
10 year Govt	4.11%	3.29%

Disaster averted ... for now!

Overnight, First Citizens snapped up the remnants of Silicon Valley Bank in a deal that injected USD57 billion in deposits and USD72 billion in loans onto its balance sheet ... at a 23.00% discount. The estimated cost of the collapse to the Fed's deposit insurance fund is about USD20 billion, with First Citizens now a top 15 US lender with over USD200 billion in assets.

And with the SVB deal finally completed, a sense of calm returned to financial markets as bank stocks bounced off their lows. International bourses were up across the board by 0.50%-1.50%, commodities rebounded with crude 5.00% higher at USD72.90p/b, although US natural gas prices fell to their lowest level since September 2020. The focus

of bond markets returned to inflation, which saw yields surge with the 2-yr treasury 23bps higher at 4.01% and the 10-yr gaining 14bps to be at 3.52%. International issuance is also back on the agenda with a heavy, high-grade pipeline likely to resume issuance plans later in the week. The USD-index staged a modest recovery, which saw the NZD and AUD weaken, with financial markets now pricing in a 52.00% chance the Fed will hike at their May meeting, while the NZ market is pricing in an 84.00% chance the RBNZ will go 25bps next week. Australian pricing is for no change.

Overnight data releases saw German Ifo business sentiment increased to 93.3 to beat market forecasts at 91, while the expectations index surged to 91.4 from 88.4. Euro-zone bank lending slowed in March to 0.1% from 0.15%, the Dallas Fed's manufacturing index fell for a second straight month to -15.7 from February's -13.5, while the volume of British retail trade grew 1 versus forecasts of a -6 contraction.

Central banks attempt to steer attention back to inflation.

Fed member, Neel Kashkari, announced, "What's unclear for us is how much of these banking stresses are leading to a widespread credit crunch. On the positive side, deposit outflows seem to have slowed down and some confidence is being restored among the smaller and regional banks, (but) it's too soon to make any forecasts about the next FOMC meeting."

ECB board member Isabel Schnabel, who pushed for the March statement to signal further hikes, stated that "while headline inflation has begun to drop underlying, core, inflation is still sticky. Financial stresses have so far seen impacts mainly in financial markets, businesses."

Riksbank (Swedish) Central Bank Governor Erik Thedeen flagged an April rate hike stating, "It could be that the inflation process is worse than we thought. It is in our forecasts that inflation will come down quite quickly. The problem is that it has been in our forecasts all through 2022 and it has yet to happen".

We even had one of the 'local' bank CEOs announce, "The GFC was fundamentally a crisis around the quality of assets and the loans that banks make, and that's not what the risk is here. This is a different issue. This is really to do with the global war on inflation and how central banks are raising rates very quickly in order to combat that, and that has casualties. Is it a financial crisis, who knows? Does it have the potential to be one? Yes, it does." So come and get some money now before we push out our margins ... okay, I added that last bit!



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Daily Rates

Tuesday 28 March 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.70					CAD	0.8450	0.9119
NZD/USD	0.6189	0.0000	-0.0002	-0.0007	-0.0026	CHF	0.5669	0.6089
NZD/AUD	0.9313	-0.0011	-0.0035	-0.0073	-0.0144	CNY	4.2588	4.5699
NZD/JPY	81.12	-0.37	-1.12	-2.23	-4.44	DKK	4.2721	4.5876
NZD/EUR	0.5762	-0.0010	-0.0032	-0.0060	-0.0118	FJD	1.3563	1.4565
NZD/GBP	0.5036	-0.0004	-0.0011	-0.0020	-0.0039	HKD	4.8582	5.2170
						KRW	803.30	862.62
AU TWI	59.90					MYR	2.7349	2.9369
AUD/USD	0.6646	0.0007	0.0022	0.0044	0.0068	NOK	6.4760	6.9542
AUD/NZD	1.0734	0.0011	0.0034	0.0080	0.0159	SEK	6.4239	6.8982
AUD/JPY	87.11	-0.30	-0.88	-1.73	-3.46	SGD	0.8238	0.8846
AUD/EUR	0.6155	-0.0004	-0.0013	-0.0018	-0.0034	TWD	18.80	20.19
AUD/GBP	0.5408	0.0002	0.0008	0.0020	0.0039	ZAR	11.34	12.17
USD Index	102.89					EQUITIES		
EUR/USD	1.0793	0.0019	0.0056	0.0101	0.0174		Index	
USD/JPY	131.62	-0.59	-1.77	-3.45	-6.51	NZX50	11,613	
GBP/USD	1.2285	0.0007	0.0021	0.0031	0.0035	ASX200	6,962	
EUR/GBP	0.8784	0.0009	0.0029	0.0056	0.0109	Dow Jones	32,536	
						S&P 500	3,993	
INTEREST RATES			New Zealand		Australia	FTSE100	7,472	
			Mid		Mid	DAX 30	15,128	
30 day bank bills			5.03%		3.68%	Nikkei	27,477	
90 day bank bills			5.20%		3.75%	COMMODITIES		
1 year swap			5.17%		3.56%		USD	
2 year swap			4.80%		3.48%	Brent Crude	78.03	
3 year swap			4.52%		3.40%	Gold	1,956.21	
5 year swap			4.24%		3.34%	Silver	23.01	
10 year swap			4.14%		3.69%	Iron Ore	126.01	
3 year Govt bond			4.24%		2.86%	CRB Index	283.50	
5 year Govt bond			4.07%		2.95%		NZD	
10 year Govt bond			4.11%		3.29%	NZ Carbon	61.50	

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