

Market Alert

Friday 31 March 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6252	-0.0006
NZD/AUD	0.9328	-0.0070
NZD/JPY	82.83	-2.26
NZD/EUR	0.5737	-0.0059
NZD/GBP	0.5048	-0.0018
NZD/CNH	4.2985	-0.0674
AUD/USD	0.6702	0.0043
AUD/EUR	0.6147	-0.0019
EUR/USD	1.0898	0.0100
USD/CNH	6.8764	-0.1010
GBP/USD	1.2382	0.0029
EUR/GBP	0.8800	0.0057

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.60%
90 day bills	5.25%	3.76%
2 year swap	5.02%	3.52%
10 year Govt	4.28%	3.43%

The news is good ...

... but with good news comes more rate hikes!

Overnight, US GDP expanded an annualized 2.60% in Q4 22, slightly less than initial estimates at 2.70%, while weekly jobless claims increased by 7k to 198k to remain below the 200k mark for the 10th time in 11 prints. German inflation slowed to 7.4% in March, down from 8.7% as energy costs decelerated substantially although the cost of food and services increased. Finally, Eurozone economic sentiment fell in March to 99.3 from February's revised 99.6.

But despite all of the good news, US stocks pared back most of their gains as comments from various Fed officials suggesting more monetary tightening would be needed despite the recent

banking turmoil. Richmond Fed President Thomas Barkin confirmed he "backed the 25bps hike at the last meeting given the substantial inflation pressures." Boston member Susan Collins added, "A forecast of one additional hike in 2023 looks reasonable, some additional policy tightening will be needed," while Minneapolis representative Neel Kashkari stated, "There is very high inflation in the US, but it's not being driven by wages. One particular source of concern is that ex-housing core service inflation has not decreased."

Earlier, Fed Board Vice Chair Michael Barr and FDIC Chairman Martin Gruenberg testified in Congress blaming anyone and everyone for the SVB failure stating, "bank management clearly failed, supervisors failed, and our regulatory system failed. So, we're looking at all of that."

ECB board member Isabel Schnabel acknowledged, "At this point it appears as if we have somewhat smaller banking problems than we are seeing in the US. We cannot exclude that banking troubles could have a 'disinflationary effect', which could have monetary policy implications. My suspicion is that the energy impact will drop out of core inflation quickly."

Following on from last week's liquidity increase, Chinese Premier Li Qiang, called China "an anchor for world peace" before adding "China will strengthen macro policy adjustments and unleash the potential of consumption and investment. (We want to) further liberalise global trade and investment and keep global supply chains stable and smooth."

The broadly positive data releases saw international equity markets lock in gains, although the threat of further rate hikes limited the upside to between 0.50% and 1.50%. But in amongst the positivity, traders targeted Metropolitan Bank with its ties to crypto firm Skrill, which saw its shares fall 32.00%. Commodities were a mixed bag while fixed income markets were quiet with the T-bond flatlining at 3.55%. The NZD, AUD and EUR also made modest gains, rallying between 0.35%-0.50%.

Quick, everyone to the union office!

Because the Australian Council of Trade Unions has called for a 7.00% pay raise for its comrades! Meanwhile, NZ building permits compressed a further -9.00% in February following January's -5.20% fall, while March business confidence flatlined at -43.40% as the own activity outlook improved to -8.50% from -9.50%.

And at the end of 2021, SVB's financial accounts indicated they held USD15.26bn of IRS hedging to protect itself against the impact of rising rates on its bond portfolio. So, what happened? Well, it looks like weakening profitability in 2022 saw SVB do something really dumb.... they unwound their IRS hedging! In Q1 22 they unwound USD5bn of hedging to book a USD204m gain, and in Q2 22 they dumped another USD6bn of hedges to lock in a further USD313m gain! That didn't work out too well did it!



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.80					CAD	0.8458	0.9069
NZD/USD	0.6252	0.0000	-0.0001	-0.0006	-0.0025	CHF	0.5716	0.6128
NZD/AUD	0.9328	-0.0010	-0.0033	-0.0070	-0.0142	CNY	4.2966	4.6076
NZD/JPY	82.83	-0.42	-1.11	-2.26	-4.59	DKK	4.2722	4.5797
NZD/EUR	0.5737	-0.0010	-0.0031	-0.0059	-0.0117	FJD	1.3636	1.4617
NZD/GBP	0.5048	-0.0003	-0.0010	-0.0018	-0.0039	HKD	4.9077	5.2609
						KRW	810.68	869.03
AU TWI	60.30					MYR	2.7634	2.9623
AUD/USD	0.6702	0.0007	0.0022	0.0043	0.0069	NOK	6.5037	6.9718
AUD/NZD	1.0715	0.0011	0.0035	0.0077	0.0153	SEK	6.4850	6.9518
AUD/JPY	88.78	-0.34	-0.89	-1.79	-3.64	SGD	0.8300	0.8897
AUD/EUR	0.6147	-0.0005	-0.0012	-0.0019	-0.0033	TWD	19.04	20.41
AUD/GBP	0.5411	0.0002	0.0008	0.0020	0.0041	ZAR	11.14	11.94
USD Index	102.19					EQUITIES		
EUR/USD	1.0898	0.0017	0.0056	0.0100	0.0171		Index	
USD/JPY	132.43	-0.68	-1.76	-3.50	-6.78	NZX50	11,933	
GBP/USD	1.2382	0.0007	0.0020	0.0029	0.0035	ASX200	7,122	
EUR/GBP	0.8800	0.0008	0.0029	0.0057	0.0111	Dow Jones	32,810	
						S&P 500	4,044	
INTEREST RATES			New Zealand		Australia	FTSE100	7,620	
			Mid		Mid	DAX 30	15,522	
30 day bank bills			5.08%		3.68%	Nikkei	27,783	
90 day bank bills			5.25%		3.76%	COMMODITIES		
1 year swap			5.33%		3.63%		USD	
2 year swap			5.02%		3.52%	Brent Crude	79.26	
3 year swap			4.70%		3.43%	Gold	1,980.16	
5 year swap			4.39%		3.44%	Silver	23.78	
10 year swap			4.27%		3.77%	Iron Ore	126.01	
3 year Govt bond			4.50%		3.00%	CRB Index	288.31	
5 year Govt bond			4.32%		3.09%		NZD	
10 year Govt bond			4.28%		3.43%	NZ Carbon	54.00	

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