

Market Alert

Thursday 27 January 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6690	-0.0028
NZD/AUD	0.9336	-0.0047
NZD/JPY	76.53	-0.55
NZD/EUR	0.5928	-0.0055
NZD/GBP	0.4954	-0.0016
NZD/CNH	4.2320	0.0279
AUD/USD	0.7165	0.0006
AUD/EUR	0.6349	-0.0027
EUR/USD	1.1285	0.0059
USD/CNH	6.3260	0.0685
GBP/USD	1.3507	-0.0013
EUR/GBP	0.8355	0.0052

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.08%	0.07%
2 year swap	2.42%	1.21%
10 year Govt	2.62%	1.95%

All eyes were on the Federal Reserve this morning

They played a straight bat maintaining the Benchmark Funds Rate Target at 0.0% to 0.25% although they have explicitly set the groundwork for a rate hike in March stating “With inflation well above 2.0% and a strong labour market, the Committee expects it will soon be appropriate to raise the target range for the federal funds rate.”

They also announced that their asset purchases will conclude in early March as the economy and employment has strengthened. There was also a clear signal that the Fed will begin shrinking

the balance sheet at some point after they begin hiking rates, although there were no clear comments about selling their holdings. The minutes highlighted the Fed intends to primarily hold Treasuries in the longer run implying they intend to skew their reinvestment toward Treasuries, not mortgage bonds.

Now we just need to watch the post-meeting Q&A session for further guidance and hints behind their rational.

In other news, the BoC Bank left its overnight cash rate unchanged at 0.25%, which was in line with forecasts, but the Board removed its exceptional forward guidance holding the policy rate at the effective lower bound. This is seen as paving the way for the first rate hike since 2018 with the bank having “*been clear and deliberate*” in their decision not to hike now.

The central bank will also maintain its holdings of bonds on its balance sheet ‘at least’ until it starts its rate hiking cycle. The central bank also announced they see inflation holding close to 5.0% in H1 2022, although they expect it to decline rapidly to about 3% by the end of this year. Furthermore, they expect the domestic economy to grow by 4.0% in 2022 and about 3.5% in 2023.

Never one to sit still, the Atlanta Fed GDP forecaster has increased to 6.5% from 5.1% while, in actual data releases, US new home sales rose by 11.9% on the month.

With little chit-chat about the state of the local property market, the Chinese yuan has continued its appreciation hitting its strongest level against the USD since May 2018, while against the NZD its hit levels not seen since Q2 2020. Just to make sure everyone is on the same page, the China Securities Journal has published a piece urging investors not over-react to the sell-off in China A shares and to buy the dip!

And the minutes were taken as a positive

Equities, leading into the Fed announcement, were in positive territory for a change predominately off the back of the Microsoft results.

International bourses were up 1.0%-2.0% while commodities put in a solid performance with oil up 2.0% and natural gas up 5.5% to maintain the ‘heat’ under the energy sector.

Leading into the FOMC announcement, bond and currency markets were relatively flat, and this momentum was maintained after the meeting with the T-bond slightly firmer at 1.80% while the currency markets flatlined ahead of the Q&A.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Thursday 27 January 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.68					CAD	0.8427	0.9026
NZD/USD	0.6690	-0.0003	-0.0012	-0.0028	-0.0075	CHF	0.6163	0.6601
NZD/AUD	0.9336	-0.0005	-0.0020	-0.0047	-0.0111	CNY	4.2281	4.5288
NZD/JPY	76.53	-0.05	-0.21	-0.55	-1.58	DKK	4.4122	4.7260
NZD/EUR	0.5928	-0.0006	-0.0023	-0.0055	-0.0143	FJD	1.4260	1.5275
NZD/GBP	0.4954	-0.0001	-0.0006	-0.0016	-0.0046	HKD	5.2083	5.5787
						KRW	801.14	858.12
AU TWI	59.90					MYR	2.8028	3.0021
AUD/USD	0.7165	0.0001	0.0003	0.0006	0.0005	NOK	5.9359	6.3580
AUD/NZD	1.0711	0.0006	0.0023	0.0055	0.0128	SEK	6.1878	6.6279
AUD/JPY	81.97	-0.01	-0.05	-0.17	-0.73	SGD	0.8999	0.9639
AUD/EUR	0.6349	-0.0003	-0.0011	-0.0027	-0.0079	TWD	18.58	19.90
AUD/GBP	0.5305	0.0001	0.0005	0.0010	0.0014	ZAR	10.1302	10.8507
USD Index	96.06					EQUITIES		
EUR/USD	1.1285	0.0007	0.0024	0.0059	0.0150		Index	
USD/JPY	114.41	-0.03	-0.12	-0.35	-1.10	NZX50	12,186	
GBP/USD	1.3507	-0.0002	-0.0006	-0.0013	-0.0026	ASX200	6,962	
EUR/GBP	0.8355	0.0007	0.0022	0.0052	0.0127	Dow Jones	34,646	
						S&P 500	4,425	
						FTSE100	7,470	
						DAX 30	15,459	
						Nikkei	27,011	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.87%	0.84%	0.02%	0.02%	Dubai Light	86.30	
90 day bank bills		1.12%	1.08%	0.09%	0.05%	Brent Crude	89.94	
FRA 90d in 3mths		1.77%	1.70%	0.39%	0.36%	Gold	1,830.32	
FRA 180d in 6mths		2.45%	2.41%	1.06%	1.04%	Silver	23.84	
1 year swap		1.94%	1.92%	0.61%	0.61%	CRB Index	264.49	
2 year swap		2.44%	2.41%	1.22%	1.21%		NZD	
3 year swap		2.66%	2.63%	1.57%	1.55%	NZ Carbon	75.10	
5 year swap		2.80%	2.77%	1.87%	1.86%			
10 year swap		2.86%	2.84%	2.24%	2.22%			
10 year Govt bond			2.60%		1.95%			

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED