

Market Alert

Friday 11 February 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6691	-0.0021
NZD/AUD	0.9297	-0.0053
NZD/JPY	77.52	-0.62
NZD/EUR	0.5835	-0.0057
NZD/GBP	0.4918	-0.0008
NZD/CNH	4.2526	0.0279
AUD/USD	0.7196	0.0019
AUD/EUR	0.6276	-0.0025
EUR/USD	1.1466	0.0077
USD/CNH	6.3576	0.0615
GBP/USD	1.3605	-0.0019
EUR/GBP	0.8428	0.0069

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.17%	0.07%
2 year swap	2.47%	1.46%
10 year Govt	2.74%	2.11%

CPI spike drives yields higher

In what will surely become the least surprising news in 2022, the US annual inflation rate accelerated to 7.5% in January to reach its highest level in 40 years, or since February 1982 to be precise. It was the usual suspects that contributed to the excessive headline ... soaring energy costs, labour shortages, and supply disruptions coupled with strong demand.

Breaking it down, on the month CPI increased 0.6% and core CPI, excluding food and energy, rose 0.6% on the month and 6.0% on the year. Against this, 'real'

average hourly earnings contracted 1.7% on the year and real average weekly earnings fell 3.1%, which means the average US worker is seeing an erosion of their earning power. We also had US initial claims overnight, which were slightly better than expectations at +223,000.

The economic data brought a few more Fed talkers to the table with James Bullard stating he "favours a 100 basis point increase by July 1" i.e. over the next three meetings! He then added "I would prefer 50 bps in March but will defer to Powell. I would also favour changing rates between meetings. Furthermore, the Fed balance sheet reduction may require asset sales." We even had former Federal Reserve economist, Edward Yardeni, do his best Nike impression stating, "Just do it! Let's do 50, the market's already discounted it."

Quite naturally, after the CPI print the US dollar rallied strongly with speculators targeting a 5-year high in USD/JPY, but as the cross failed to establish the new high, momentum was lost and the session turned into a dollar rout which saw the NZD break above the 0.6700 level for the first time in two weeks while the AUD also topped out at 0.7250, although neither currency was able to hold onto these gains.

Equities also turned lower in choppy trading amid a renewed rout in bonds, which saw the 10 year T-bond crack the 2.00% level. The German bund hit 0.28% and commodities were steady.

We also had the European Commission revise its 2022 inflation forecast to 3.5% from 2.2% before it eases back to 1.7% in 2023. On the GDP front, the Euro area economy is projected to expand 4.0% in 2022 and 2.7% in 2023. We also had the ECB's chief economist, Philip Lane, attempt to dampen the markets hiking expectations stating "we must assess [the] role of bottlenecks in inflation carefully. Inflation linked to bottlenecks should fade over time."

Japanese PPI index hit its highest level since September 1985 after inputs jumped +0.6% on the month and 8.6% on the year. And now the markets are starting to get carried away with themselves talking about rate hikes in Japan after the 10-year JGB yield increased to a 6-year high at 0.22% amid speculation that more hawkish monetary tightening globally could force the BoJ into action.

Quick, it's time to fill up the car!

If you thought the price of petrol was already high ... don't read this next line ... JP Morgan says oil could hit USD120 barrel if Russia's crude exports are disrupted, which has, quite naturally, led to Democrat Senators calling for a suspension of gasoline taxes. Hmmm, maybe this is something that is actually worth protesting about!



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Friday 11 February 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.63					CAD	0.8489	0.9131
NZD/USD	0.6691	-0.0003	-0.0010	-0.0021	-0.0049	CHF	0.6184	0.6651
NZD/AUD	0.9297	-0.0005	-0.0023	-0.0053	-0.0109	CNY	4.2499	4.5713
NZD/JPY	77.52	-0.06	-0.25	-0.62	-1.68	DKK	4.3404	4.6685
NZD/EUR	0.5835	-0.0006	-0.0024	-0.0057	-0.0135	FJD	1.4260	1.5339
NZD/GBP	0.4918	-0.0001	-0.0004	-0.0008	-0.0023	HKD	5.2135	5.6077
						KRW	800.23	860.74
AU TWI	60.40					MYR	2.7978	3.0094
AUD/USD	0.7196	0.0001	0.0008	0.0019	0.0032	NOK	5.8764	6.3207
AUD/NZD	1.0756	0.0006	0.0027	0.0062	0.0127	SEK	6.1948	6.6632
AUD/JPY	83.37	-0.01	-0.06	-0.19	-0.84	SGD	0.8984	0.9663
AUD/EUR	0.6276	-0.0003	-0.0011	-0.0025	-0.0073	TWD	18.65	20.06
AUD/GBP	0.5289	0.0002	0.0008	0.0022	0.0038	ZAR	10.1074	10.8716
USD Index	95.38					EQUITIES		
EUR/USD	1.1466	0.0007	0.0031	0.0077	0.0186		Index	
USD/JPY	115.87	-0.03	-0.20	-0.58	-1.68	NZX50	12,413	
GBP/USD	1.3605	-0.0002	-0.0008	-0.0019	-0.0035	ASX200	7,288	
EUR/GBP	0.8428	0.0007	0.0028	0.0069	0.0159	Dow Jones	35,367	
						S&P 500	4,536	
						FTSE100	7,672	
						DAX 30	15,490	
						Nikkei	27,696	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		1.00%	0.97%	0.02%	0.02%	Dubai Light	91.77	
90 day bank bills		1.20%	1.17%	0.09%	0.05%	Brent Crude	91.91	
FRA 90d in 3mths		1.90%	1.87%	0.43%	0.40%	Gold	1,835.97	
FRA 180d in 6mths		2.51%	2.48%	1.26%	1.24%	Silver	23.47	
1 year swap		2.10%	2.08%	0.69%	0.68%	CRB Index	278.70	
2 year swap		2.48%	2.46%	1.46%	1.45%		NZD	
3 year swap		2.69%	2.67%	1.87%	1.86%	NZ Carbon	81.50	
5 year swap		2.84%	2.82%	2.20%	2.19%			
10 year swap		2.95%	2.93%	2.50%	2.50%			
10 year Govt bond			2.72%		2.11%			

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