

Market Alert

Wednesday 2 February 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6633	-0.0027
NZD/AUD	0.9325	-0.0054
NZD/JPY	76.09	-0.58
NZD/EUR	0.5899	-0.0057
NZD/GBP	0.4909	-0.0016
NZD/CNH	4.2261	0.0257
AUD/USD	0.7113	0.0012
AUD/EUR	0.6326	-0.0025
EUR/USD	1.1244	0.0063
USD/CNH	6.3723	0.0654
GBP/USD	1.3514	-0.0013
EUR/GBP	0.8321	0.0054

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.15%	0.06%
2 year swap	2.47%	1.18%
10 year Govt	2.60%	1.90%

The RBA bats away inflation

The RBA decided to maintain the cash rate target at 10 basis points although they decided to cease further purchases under the bond purchase program, with the final purchases to take place on 10th February.

However, "Ceasing purchases under the bond purchase program does not imply a near-term increase in interest rates. The Board previously stating, it will not increase the cash rate until actual inflation is sustainably within the 2% to 3% target range. While inflation has picked up, it is too early to conclude that it is sustainably within the target band."

Currently the RBA is forecasting the unemployment rate to fall below 4% by the end of the year, they are expecting inflation to pick up in the coming quarters with a rebound in spending as the omicron case numbers trend lower. Ultimately, the RBA expects underlying inflation fall to around 2.75% in 2023 as, "The Board is prepared to be patient as it monitors inflation!"

This saw the AUD initially fall half a cent against the USD, while the AUD curve steepened as the short-end sold off.

In the other Australian news, December retail sales took a real kicking after they plummeted to -4.4% against the 3.9% forecast. January Markit manufacturing PMIs eased to 55.1 for the index's first contraction in 5-months, and December owner occupier home loans eased to 5.3% from 7.6%

In New Zealand, we had another stellar GDT auction overnight with the overall index up 4.1% following on from the previous 4.6% gain. Impressively, WMP was up 5.8%, butter rallied 3.3%, while the butter milk powder price surged an incredible 9.7%.

Coincidentally, one of the local banks yesterday raised their farmgate milk price for the 2022 season to NZD9.30, with the 2023 season at NZD8.40/kg milk solid (MS). I wouldn't be surprised if there were further increases planned given the impressive GDT result.

While impressive dairy prices are supporting New Zealand's terms of trade, the December numbers still produced a deficit of NZD477m, which was better than November's deficit of NZD864m. New Zealand posted a NZD6.78b trade deficit for the calendar year, which was narrowly below the 2018 and 2005 deficits making it the worst deficit on record.

In the US, the ISM Manufacturing PMIs fell for the third straight month to 57.6 against market forecasts of 57.5, although the prices paid index surged to 76.1 when 67.0 was expected.

In Japan, the Jibun manufacturing PMIs actually outperformed jumping to 55.4 against the 54.6 expected, while the Japanese unemployment rate eased to 2.7%.

Although the AUD finds support

In what was a YoY-session for markets, European equity markets made broad-based gains of 1.0% although the US markets are currently flat.

Interestingly, since last weeks Fed announcement, the US 10-year treasury has been relatively quiet yielding 1.79%, although there was some volatility in the currency markets as the USD continued to trend lower from its recent high, which saw the AUD recover from its RBA-related weakness to be trading up 0.65% on the day while the GDT auction gave the NZD an added boost as it rallied 0.85%.



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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	71.32					CAD	0.8419	0.9028
NZD/USD	0.6633	-0.0003	-0.0011	-0.0027	-0.0071	CHF	0.6116	0.6559
NZD/AUD	0.9325	-0.0005	-0.0021	-0.0054	-0.0122	CNY	4.2188	4.5244
NZD/JPY	76.09	-0.05	-0.22	-0.58	-1.64	DKK	4.3887	4.7066
NZD/EUR	0.5899	-0.0006	-0.0023	-0.0057	-0.0146	FJD	1.4149	1.5174
NZD/GBP	0.4909	-0.0001	-0.0006	-0.0016	-0.0045	HKD	5.1690	5.5434
						KRW	799.34	857.25
AU TWI	59.70					MYR	2.7563	2.9560
AUD/USD	0.7113	0.0001	0.0004	0.0012	0.0017	NOK	5.8743	6.2999
AUD/NZD	1.0724	0.0006	0.0025	0.0062	0.0142	SEK	6.1530	6.5987
AUD/JPY	81.61	-0.01	-0.05	-0.15	-0.70	SGD	0.8949	0.9597
AUD/EUR	0.6326	-0.0003	-0.0010	-0.0025	-0.0075	TWD	18.38	19.71
AUD/GBP	0.5264	0.0002	0.0006	0.0014	0.0020	ZAR	10.1285	10.8622
USD Index	96.40					EQUITIES		
EUR/USD	1.1244	0.0006	0.0025	0.0063	0.0162		Index	
USD/JPY	114.73	-0.02	-0.14	-0.40	-1.26	NZX50	12,059	
GBP/USD	1.3514	-0.0003	-0.0007	-0.0013	-0.0020	ASX200	7,006	
EUR/GBP	0.8321	0.0006	0.0023	0.0054	0.0132	Dow Jones	35,180	
						S&P 500	4,518	
						FTSE100	7,536	
						DAX 30	15,619	
						Nikkei	27,078	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.95%	0.92%	0.00%	0.02%	Dubai Light	87.53	
90 day bank bills		1.18%	1.15%	0.08%	0.04%	Brent Crude	89.15	
FRA 90d in 3mths		1.79%	1.76%	0.29%	0.26%	Gold	1,801.15	
FRA 180d in 6mths		2.53%	2.50%	0.93%	0.91%	Silver	22.53	
1 year swap		2.01%	1.99%	0.55%	0.53%	CRB Index	271.23	
2 year swap		2.48%	2.45%	1.19%	1.16%		NZD	
3 year swap		2.66%	2.64%	1.54%	1.51%	NZ Carbon	76.25	
5 year swap		2.77%	2.75%	1.83%	1.82%			
10 year swap		2.83%	2.81%	2.20%	2.17%			
10 year Govt bond			2.58%	1.90%				

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