

Market Alert

Tuesday 22 February 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6706	-0.0025
NZD/AUD	0.9321	-0.0057
NZD/JPY	76.95	-0.65
NZD/EUR	0.5926	-0.0061
NZD/GBP	0.4930	-0.0011
NZD/CNH	4.2400	0.0358
AUD/USD	0.7195	0.0017
AUD/EUR	0.6359	-0.0027
EUR/USD	1.1315	0.0076
USD/CNH	6.3253	0.0773
GBP/USD	1.3603	-0.0021
EUR/GBP	0.8318	0.0068

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.24%	0.08%
2 year swap	2.55%	1.46%
10 year Govt	2.76%	2.22%

The potential for a peaceful solution?

Markets were volatile overnight as rumours swirled around what was happening in the Ukraine. It would appear from the latest news that President Putin may sign a decree recognizing the independence of the Donetsk and Luhansk People's Republics, which should de-escalate the situation.

The regions held by rebels, there was no conflict, and with the Russian President due to give a speech imminently, these 'gains' will be sufficient to ensure all sides can de-escalate the tensions.

About those PMIs

Last night was all about the PMIs with Australia being the stand-out performer after the February release showed a huge jump in the services index after it surged to 56.4 from January's 46.6. The manufacturing print also increased to 57.6 from 55.1, which drove the overall composite index to 55.9 from 46.7 ... and with Australia now open for vaccinated visitors, the outlook is suddenly looking very positive! That said, shortages of input materials and labour persisted as an issue for private sector firms. This has led to input prices continuing to increase sharply, while selling price inflation hit a record according to the survey.

The Japanese Jibun Bank manufacturing PMIs for February contracted to 52.9 from 55.4 in what was the index's lowest manufacturing print for 5 months. The services also contracted to 42.7 from 47.6 for its lowest print since May 2020, which meant the composite index contracted to 44.6 from 49.9!

In Europe, the UK PMIs surged to their strongest levels in 8 months after the composite index jumped to 60.2 in February from 54.2 in January. Output growth in the service sector at 60.8 exceeded the manufacturing sectors 56.7, but in both cases, the rate of expansion accelerated sharply. Employment and new orders growth picked up, although input cost inflation accelerated again.

Eurozone's composite PMIs increased to 55.8 in February from January's 52.3. Beating forecasts of 52.7 the services sector expanded to 55.8 from 51.1, although manufacturing growth eased slightly to 58.4 from 58.7.

In other news, Federal Reserve Governor, Michelle Bowen, announced, "It's 'more than time' for the Fed to begin normalizing. I expect a series of rate hikes with timing depending on data, although it is too early to say if 50 bps hike needed at March meeting."

The Bundesbank, in its latest monthly report, is forecasting the German economy will likely shrink again in Q1 as pandemic-related absences from work will likely dampen economic activity, however the economy should rebound in the spring.

Average new home prices in China's 70 major cities rose for the first time since September after they gained 0.1% in the month of January and 2.3% for the year. The PBoC also left China's loan prime rates unchanged at 3.70% and 4.60% for 1 and 5 years.

Tensions in the Ukraine are in a balancing act, European and US equity markets spent the session trading in negative territory, while Russian stocks have slumped the most since the 2008 global financial crisis! Unsurprisingly, commodities surged again with gas up over 7.0% and oil 3.0% higher, while US 10 year yield was flat. Locally, the NZD and AUD will both open higher.



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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	71.78					CAD	0.8552	0.9175
NZD/USD	0.6706	-0.0004	-0.0011	-0.0025	-0.0059	CHF	0.6142	0.6590
NZD/AUD	0.9321	-0.0007	-0.0024	-0.0057	-0.0115	CNY	4.2472	4.5568
NZD/JPY	76.95	-0.07	-0.26	-0.65	-1.72	DKK	4.4091	4.7305
NZD/EUR	0.5926	-0.0007	-0.0026	-0.0061	-0.0147	FJD	1.4326	1.5371
NZD/GBP	0.4930	-0.0002	-0.0005	-0.0011	-0.0030	HKD	5.2303	5.6116
						KRW	799.00	857.25
AU TWI	60.60					MYR	2.8096	3.0144
AUD/USD	0.7195	0.0001	0.0007	0.0017	0.0026	NOK	6.0378	6.4780
AUD/NZD	1.0729	0.0008	0.0028	0.0066	0.0134	SEK	6.3241	6.7851
AUD/JPY	82.57	-0.01	-0.06	-0.20	-0.84	SGD	0.9030	0.9688
AUD/EUR	0.6359	-0.0003	-0.0011	-0.0027	-0.0081	TWD	18.68	20.04
AUD/GBP	0.5289	0.0002	0.0008	0.0021	0.0033	ZAR	10.1635	10.9044
USD Index	96.06					EQUITIES		
EUR/USD	1.1315	0.0007	0.0030	0.0076	0.0187		Index	
USD/JPY	114.77	-0.03	-0.19	-0.54	-1.58	NZX50	12,156	
GBP/USD	1.3603	-0.0003	-0.0009	-0.0021	-0.0035	ASX200	7,234	
EUR/GBP	0.8318	0.0007	0.0028	0.0068	0.0160	Dow Jones	34,079	
						S&P 500	4,349	
						FTSE100	7,484	
						DAX 30	14,731	
						Nikkei	26,911	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		1.09%	1.06%	0.02%	0.02%	Dubai Light	91.93	
90 day bank bills		1.27%	1.24%	0.10%	0.06%	Brent Crude	96.26	
FRA 90d in 3mths		1.92%	1.89%	0.40%	0.37%	Gold	1,903.57	
FRA 180d in 6mths		2.59%	2.56%	1.18%	1.17%	Silver	23.95	
1 year swap		2.10%	2.08%	0.68%	0.67%	CRB Index	280.31	
2 year swap		2.56%	2.54%	1.47%	1.45%		NZD	
3 year swap		2.75%	2.73%	1.87%	1.85%	NZ Carbon	82.50	
5 year swap		2.87%	2.85%	2.18%	2.17%			
10 year swap		2.94%	2.92%	2.49%	2.46%			
10 year Govt bond			2.75%		2.22%			

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