

# Market Alert

Monday 28 February 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6685	-0.0025
NZD/AUD	0.9313	-0.0061
NZD/JPY	77.06	-0.69
NZD/EUR	0.5981	-0.0066
NZD/GBP	0.5011	-0.0014
NZD/CNH	4.2203	0.0312
AUD/USD	0.7179	0.0020
AUD/EUR	0.6435	-0.0029
EUR/USD	1.1156	0.0082
USD/CNH	6.3141	0.0705
GBP/USD	1.3347	-0.0013
EUR/GBP	0.8359	0.0070

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.24%	0.08%
2 year swap	2.79%	1.49%
10 year Govt	2.80%	2.23%

## Here we go again ...

In what was a reversal of epic portions, Friday's recovery by financial markets was exceptional and reminiscent of the high drama moments as the pandemic was exploding and central banks were scrambling in 2020.

In terms of the rationale for the reversal, the broad explanation was that the first round of sanctions weren't as harsh as feared, but with a ramping up of the sanctions over the weekend that are more targeted to the Russian hierarchy and their banks, via the SWIFT payments system, President Putin has retaliated by

placing Russia's nuclear forces on alert as "Western countries aren't only taking unfriendly actions against our country in the economic sphere, but top officials from leading NATO members made aggressive statements regarding our country." The latest news, at least at this moment is that representatives of the Ukrainian and Russian governments will hold talks on the Ukraine-Belarus border.

From a financial markets' perspective, we are expecting another week of high volatility. Friday saw January US core PCE come in higher than anticipated at 5.2% vs 5.1% expected. With inflation remaining stubbornly high, the hawks remain optimistic that a 50 basis point hike remains on the cards with Fed Governor, Christopher Waller, stating "The rapid improvement in the labour market and the deteriorating inflation data have pushed me towards favouring a faster pace of tapering and a more rapid removal of accommodation in 2022." While his colleague, St. Louis Fed President, James Bullard, said that he has become "dramatically" more hawkish in light of the hottest inflation reading in nearly 40 years, and he now wants a full percentage point of interest rate hikes over the next three U.S. central bank policy meetings.

As an FYI, US durable goods also came in better than expected while European central bankers are leaking they're less likely to hike rates this year given developments.

The NZD and the AUD actually held up quite well last week, although they are both down half a cent on our open. The T-bond closed the week at 1.96%.

In New Zealand, the RBNZ Governor, Adrian Orr, was 'out-and-about' giving interviews stating, "By getting ahead of inflation quickly, we aim to prevent higher rates later. Household and business balance sheets are strong although they will and are starting to weaken as house prices fall. Events in Ukraine exacerbate upside inflation concerns ... we are particularly concerned about inflation expectations. We retain the option to move faster on rates if needed" although he then added, "I sit in the camp inflation is temporary and that generalised inflation is unnecessary."

## Strap yourselves in ...

it's going to be a bumpy week!

Apart from the war in the Ukraine, we also have a busy week in the markets with the RBA rate decision on Tuesday, and the BoC rate decision on Wednesday along with an OPEC meeting.

Fed Chair, Jerome Powell, is testifying to Congress on Wednesday and Thursday while we also have US ISM, ADP, and non-farm payroll numbers.

Finally, from the rest of the world, we have Euro Area inflation, China manufacturing PMI, and Q4 GDP growth rates for Canada, Australia, and Switzerland.



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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	71.94					CAD	0.8574	0.9206
NZD/USD	0.6685	-0.0003	-0.0010	-0.0025	-0.0059	CHF	0.6183	0.6639
NZD/AUD	0.9313	-0.0007	-0.0025	-0.0061	-0.0125	CNY	4.2615	4.5761
NZD/JPY	77.06	-0.08	-0.27	-0.69	-1.80	DKK	4.4616	4.7909
NZD/EUR	0.5981	-0.0009	-0.0028	-0.0066	-0.0156	FJD	1.4346	1.5405
NZD/GBP	0.5011	-0.0002	-0.0006	-0.0014	-0.0038	HKD	5.2194	5.6047
						KRW	810.60	870.45
AU TWI	60.60					MYR	2.8139	3.0216
AUD/USD	0.7179	0.0002	0.0008	0.0020	0.0033	NOK	5.9835	6.4252
AUD/NZD	1.0738	0.0008	0.0029	0.0071	0.0146	SEK	6.4002	6.8726
AUD/JPY	82.66	-0.02	-0.07	-0.20	-0.83	SGD	0.9054	0.9722
AUD/EUR	0.6435	-0.0004	-0.0013	-0.0029	-0.0083	TWD	18.80	20.18
AUD/GBP	0.5379	0.0002	0.0008	0.0021	0.0032	ZAR	10.3239	11.0860
USD Index	96.62					<b>EQUITIES</b>		
EUR/USD	1.1156	0.0011	0.0035	0.0082	0.0198		<b>Index</b>	
USD/JPY	115.16	-0.06	-0.23	-0.60	-1.69	NZX50	11,923	
GBP/USD	1.3347	-0.0001	-0.0005	-0.0013	-0.0017	ASX200	6,998	
EUR/GBP	0.8359	0.0008	0.0029	0.0070	0.0159	Dow Jones	34,059	
						S&P 500	4,385	
						FTSE100	7,489	
						DAX 30	14,567	
						Nikkei	26,477	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	95.23	
						Brent Crude	97.93	
						Gold	1,889.01	
						Silver	24.25	
						CRB Index	281.21	
							<b>NZD</b>	
						NZ Carbon	80.75	

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.07%	1.04%	0.02%	0.02%
90 day bank bills	1.27%	1.24%	0.10%	0.06%
FRA 90d in 3mths	2.06%	2.03%	0.36%	0.33%
FRA 180d in 6mths	2.78%	2.75%	1.20%	1.19%
1 year swap	2.21%	2.19%	0.67%	0.66%
2 year swap	2.80%	2.78%	1.50%	1.48%
3 year swap	2.95%	2.93%	1.91%	1.90%
5 year swap	3.03%	3.01%	2.21%	2.20%
10 year swap	3.07%	3.05%	2.53%	2.51%
10 year Govt bond		2.78%		2.23%

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