

Market Alert

Thursday 3 February 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6634	-0.0026
NZD/AUD	0.9296	-0.0053
NZD/JPY	75.88	-0.56
NZD/EUR	0.5867	-0.0055
NZD/GBP	0.4889	-0.0015
NZD/CNH	4.2182	0.0267
AUD/USD	0.7136	0.0013
AUD/EUR	0.6311	-0.0024
EUR/USD	1.1307	0.0063
USD/CNH	6.3593	0.0657
GBP/USD	1.3571	-0.0013
EUR/GBP	0.8332	0.0054

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.17%	0.07%
2 year swap	2.40%	1.15%
10 year Govt	2.57%	1.91%

The Governor is standing his ground

The Australian central bank Governor, Philip Lowe, gave his traditional post-RBA speech yesterday, and the man 'isn't for turning' and was explicit in his assertion that there is no need to jump on to the central bank hiking bandwagon, stating "We're prepared to be patient, we don't need to move in lockstep with others. A rise in inflation does not require an immediate response (and it) remains to be seen if rates will rise this year. It's unlikely that we will have to tighten aggressively to control

inflation and it's still plausible that the first rate hike is a year or longer away."

He then re-asserted his stance that he won't raise rates to counter the housing market adding, "High debt means the household sector will be responsive to higher rates (but the) solution to higher housing prices is not to put up interest rates," before he reverted to his favourite topic, wage inflation, adding, "the wage price index is set to rise 2.75% this year and 3% over 2023, and we still expect GDP to grow in the March quarter, although only modestly." He then finished with, "The end of bond purchase program does not mean a cash rate rise is imminent. It's too early to conclude inflation is sustainably within its target range."

In New Zealand, Q4 unemployment fell to its lowest quarterly level since the data started in 1985, easing to 3.2% when 3.4% was expected. In amongst the detail, the labour cost index was up +0.7% on the quarter and +2.8% on the year, which was slightly below forecasts of +0.9% and +2.9% while the participation rate was also below expectations, at 71.1% against 71.2%.

In the US, private businesses unexpectedly cut 301,000 workers in January, which was a complete contrast to the expected gain of 207,000. It was the first contraction in the data since December 2020 and the biggest since April 2020, as the omicron variant impacted the job market.

While everyone has been talking about Alphabet's stellar results, the PayPal report highlighted some risks to the US economy after they announced, "Inflationary pressures impacted spending within certain segments of our user base, and the elimination of government stimulus had an impact as well. The persistence of inflationary effects on personal consumption and weaker consumer sentiment have led us to adopt a more cautious outlook."

Ahead of this week's ECB meeting, annual inflation in the Euro-zone firmed to a fresh record high of 5.1% in January, which was up from December's 5.0% while forecasters had predicated an easing to 4.4%. Energy continued to be the biggest contributor increasing 28.6%, followed by food and, my personal favourite, alcohol and tobacco.

Equity markets shrug off geo-political concerns

Equity markets looked through the geo-political concerns and troop movements to extended gains for the fourth straight session. Commodity markets also posted modest gains although treasury yield slid with the T-bond down to 1.755%. Currency markets were steady ahead of the ECB, BoE, and Friday's non-farm payrolls, although the EUR received a boost off the inflation numbers with it currently consolidating above the 1.1300 level.



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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	71.25					CAD	0.8411	0.9048
NZD/USD	0.6634	-0.0003	-0.0011	-0.0026	-0.0068	CHF	0.6094	0.6555
NZD/AUD	0.9296	-0.0005	-0.0022	-0.0053	-0.0120	CNY	4.2195	4.5390
NZD/JPY	75.88	-0.05	-0.22	-0.56	-1.60	DKK	4.3641	4.6945
NZD/EUR	0.5867	-0.0006	-0.0023	-0.0055	-0.0142	FJD	1.4233	1.5311
NZD/GBP	0.4889	-0.0001	-0.0006	-0.0015	-0.0043	HKD	5.1700	5.5615
						KRW	798.66	859.14
AU TWI	60.20					MYR	2.7792	2.9897
AUD/USD	0.7136	0.0001	0.0005	0.0013	0.0019	NOK	5.8353	6.2772
AUD/NZD	1.0757	0.0006	0.0025	0.0062	0.0140	SEK	6.0990	6.5609
AUD/JPY	81.63	-0.01	-0.04	-0.14	-0.68	SGD	0.8936	0.9613
AUD/EUR	0.6311	-0.0003	-0.0010	-0.0024	-0.0072	TWD	18.48	19.88
AUD/GBP	0.5258	0.0002	0.0006	0.0015	0.0022	ZAR	10.1715	10.9417
USD Index	95.95					EQUITIES		
EUR/USD	1.1307	0.0006	0.0025	0.0063	0.0161		Index	
USD/JPY	114.40	-0.02	-0.14	-0.39	-1.25	NZX50	12,290	
GBP/USD	1.3571	-0.0003	-0.0007	-0.0013	-0.0020	ASX200	7,088	
EUR/GBP	0.8332	0.0006	0.0023	0.0054	0.0131	Dow Jones	35,521	
						S&P 500	4,576	
						FTSE100	7,583	
						DAX 30	15,614	
						Nikkei	27,534	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.97%	0.94%	0.02%	0.02%	Dubai Light	87.53	
90 day bank bills		1.20%	1.17%	0.09%	0.05%	Brent Crude	89.38	
FRA 90d in 3mths		1.76%	1.73%	0.27%	0.24%	Gold	1,808.29	
FRA 180d in 6mths		2.45%	2.42%	0.89%	0.88%	Silver	22.70	
1 year swap		1.98%	1.95%	0.51%	0.51%	CRB Index	273.02	
2 year swap		2.42%	2.39%	1.16%	1.14%		NZD	
3 year swap		2.59%	2.57%	1.51%	1.50%	NZ Carbon	76.75	
5 year swap		2.73%	2.71%	1.81%	1.79%			
10 year swap		2.79%	2.77%	2.16%	2.14%			
10 year Govt bond			2.56%		1.91%			

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