

# Market Alert

Wednesday 16 March 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6758	-0.0028
NZD/AUD	0.9407	-0.0070
NZD/JPY	79.98	-0.83
NZD/EUR	0.6180	-0.0077
NZD/GBP	0.5188	-0.0015
NZD/CNH	4.3204	0.0257
AUD/USD	0.7184	0.0023
AUD/EUR	0.6570	-0.0033
EUR/USD	1.0935	0.0092
USD/CNH	6.3930	0.0646
GBP/USD	1.3027	-0.0016
EUR/GBP	0.8394	0.0081

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.49%	0.15%
2 year swap	3.08%	1.69%
10 year Govt	3.11%	2.50%

## Dairy weakness

It's been a while since we've seen a headline like that!

Last night's GDT auction surprised...to the downside easing 0.9% against forecasts of a 3.0% to 4.0% jump, with WMP and butter the biggest movers easing 2.1% and 1.8% respectively. In other New Zealand news, services PMIs for February remain in contractionary territory at 46.5, they're just not as depressed as they were in January when it was at 45.9

The RBA minutes basically told us what we already knew, "The board will not increase the cash rate until actual inflation

is sustainably within the 2 to 3 per cent target band, and while inflation has picked up, the members agreed it was too early to conclude that it was sustainably within the target band. The board is prepared to be patient (although) the war in Ukraine and the associated increase in energy prices had created additional uncertainty about the inflation outlook. There were uncertainties about how persistent the pick-up in inflation would be given recent developments in global energy markets and ongoing supply-side problems."

Producer price inflation in the US increased 0.8% in February, slightly below market forecasts of 0.9% and less than January's revised 1.2%. Prices for goods jumped 2.4%, mainly due to an 14.8% rise in gasoline costs. Meanwhile the New York Empire State Manufacturing Index fell from 3.1 in February to -11.8 in March, below forecasts of 7.0. New orders and shipments declined, unfilled orders increased, delivery times lengthen substantially, while inventories expanded. Prices paid also remained elevated.

In the UK, average weekly earnings bounced 4.8% in the 3 months to January while the unemployment rate eased to 3.9%, setting the groundwork for the BoE to probably hike their cash rate from 0.75% to 1.00% on Friday morning. In completing the third hike as part of this cycle, the feeling is that the BoE will then pause to ascertain the impact of the recent hikes and start gilt sales.

The German ZEW economic sentiment indicator plummeted to -39.3 in March from February's 54.3. It was the index's largest drop since the survey began in December 1991 and the lowest headline number since the onset of the COVID-19 pandemic in March 2020.

The PBoC left its MLF rate unchanged when the consensus was for a 5 to 10bp cut. The data was positive with industrial production and retail sales numbers on the year-to-date doubling expectations at 7.5% and 6.7% respectively. In saying this, these numbers are until February month-end and don't consider recent lockdowns.

## Amid general commodity weakness

The weaker than expect GDT auction was a precursor to the general theme of commodity weakness overnight. Iron ore was crushed falling 8.5%, heating oil was off 7.0%, while oil and gasoline fell 5.75%. Metals were also a touch weaker although wheat surged 5.5%. US stocks rallied on the oil weakness while the NY manufacturing data eased fears about a more aggressive Federal Reserve tightening. European and Asian bourses were slightly lower. The US 10-year yield firmed to 2.15%, the bund was 4 pips lower at 0.33%, while EUR, AUD and NZD were little changed although the NZD/AUD firmed to 0.9400.



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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	72.98					CAD	0.8643	0.9187
NZD/USD	0.6758	-0.0002	-0.0012	-0.0028	-0.0062	CHF	0.6369	0.6770
NZD/AUD	0.9407	-0.0008	-0.0031	-0.0070	-0.0131	CNY	4.3038	4.5738
NZD/JPY	79.98	-0.08	-0.31	-0.83	-2.05	DKK	4.5976	4.8873
NZD/EUR	0.6180	-0.0009	-0.0033	-0.0077	-0.0175	FJD	1.4371	1.5266
NZD/GBP	0.5188	-0.0001	-0.0007	-0.0015	-0.0039	HKD	5.2898	5.6236
						KRW	839.95	892.76
AU TWI	61.80					MYR	2.8471	3.0319
AUD/USD	0.7184	0.0003	0.0010	0.0023	0.0035	NOK	6.0974	6.4815
AUD/NZD	1.0630	0.0008	0.0035	0.0079	0.0150	SEK	6.5120	6.9223
AUD/JPY	85.02	-0.01	-0.06	-0.25	-1.05	SGD	0.9239	0.9822
AUD/EUR	0.6570	-0.0004	-0.0013	-0.0033	-0.0096	TWD	19.32	20.53
AUD/GBP	0.5515	0.0003	0.0011	0.0025	0.0035	ZAR	10.2087	10.8517
USD Index	99.11					<b>EQUITIES</b>		
EUR/USD	1.0935	0.0012	0.0038	0.0092	0.0215		<b>Index</b>	
USD/JPY	118.35	-0.07	-0.26	-0.74	-2.02	NZX50	11,802	
GBP/USD	1.3027	-0.0002	-0.0007	-0.0016	-0.0021	ASX200	7,097	
EUR/GBP	0.8394	0.0011	0.0034	0.0081	0.0178	Dow Jones	32,945	
						S&P 500	4,230	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		FTSE100	7,176	
		<b>Mid</b>		<b>Mid</b>		DAX 30	13,917	
30 day bank bills		1.16%		0.03%		Nikkei	25,346	
90 day bank bills		1.49%		0.15%		<b>COMMODITIES</b>		
1 year swap		2.56%		0.88%			<b>USD</b>	
2 year swap		3.08%		1.69%		Brent Crude	99.84	
3 year swap		3.23%		2.08%		Gold	1,921.36	
5 year swap		3.30%		2.48%		Silver	24.95	
10 year swap		3.38%		2.75%		Iron Ore	139.50	
3 year Govt bond		2.84%		1.71%		CRB Index	306.80	
5 year Govt bond		2.98%		2.18%			<b>NZD</b>	
10 year Govt bond		3.13%		2.50%		NZ Carbon	71.75	

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