

# Market Alert

Wednesday 2 March 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6748	-0.0027
NZD/AUD	0.9313	-0.0061
NZD/JPY	77.47	-0.69
NZD/EUR	0.6067	-0.0068
NZD/GBP	0.5067	-0.0016
NZD/CNH	4.2645	0.0300
AUD/USD	0.7247	0.0019
AUD/EUR	0.6515	-0.0030
EUR/USD	1.1123	0.0081
USD/CNH	6.3200	0.0702
GBP/USD	1.3319	-0.0013
EUR/GBP	0.8351	0.0069

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.33%	0.09%
2 year swap	2.76%	1.28%
10 year Govt	2.77%	2.19%

## Here we go again!

With the 40-mile Russian convoy approaching Kyiv, it was a 'target rich' environment for traders overnight as they doubled down on their oil and treasury longs.

Simply put, US treasury yields have collapsed with the 2-years yielding 1.295% and the 10-years at 1.71%. As a guide, they closed last week at 1.57% and 1.965%! This has led to a capitulation of short euro-dollar positions as the market scales back its interest rate hiking projections for the Federal Reserve from last weeks 6-7 projected hikes to a 'mere' 4 hikes by the end of the year.

Focus will now switch to Jerome Powell's 2 day congressional testimony, which will start tonight.

Oil also had a very strong surge overnight with WTI and Brent up 8.6% and 7.8% as traders increased positions and paid up for call options. Word has it some of this spike can be attributed to negative gamma, as traders that sold out-of-the-money calls when futures were far lower now have to cover their ever-shorter positions. International equities were also smashed with European markets down 4.0%-5.0% while US bourses are 1.5%-2.0% weaker. The EUR was also hit falling to its lowest level since June 2020, although the NZD and AUD are holding up given the commodity capacity of both countries.

In the 'news corner', Russia has confirmed the US declaration and expulsion of 12 Russian diplomats as 'persona non grata' is a hostile attack ... and let's be honest, if anyone knows about a hostile attack, it's Russia!

In the US, the Treasury Financial Oversight Council announced the US financial system continues to function in an orderly manner while the ISM manufacturing PMI rose for a second straight month to 58.6 in February from 57.6 in January. The Atlanta Fed GDP forecaster has been scaled down to 0.0% from 0.6%. In China, February PMIs exceeded forecasts with the manufacturing headline reaching 50.2 against the expected 49.9, while the services index hit 51.6 against the expected

50.7. The composite firmed to 51.2 from January's 51.0.

## In our corner of the world

Among the international chaos the RBA maintained its key cash rate at 0.1%. In a change with most other central banks, the RBA vowed to continue its highly supportive monetary policy while remaining patient on inflation, noting that wage growth has been modest. Oh, and if you didn't know, the war in Ukraine is seen as a major source of uncertainty! RBA Governor, Philip Lowe, continues to state the RBA will not raise rates until wage inflation is embedded, adding, "Wage growth remains modest."

There was a host of other Australian data with Q4 net exports subtracting 0.2% from GDP, which was better than the -1.0% expected, house financing data showed owner-occupied financing increased +1% on the month while investor financing increased +6.1%, and lastly, IHS Markit manufacturing PMI for February increased to 57.0 from 55.1 in January.

In New Zealand, the Fonterra GDT auction produced yet another stellar result with the overall index surging 5.1%. Key drivers were WMP, which rallied 5.7%, butter surged 5.9%, while cheddar gapped 10.9%. I guess that means there will be no more cheese toasties in the office!



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# Daily Rates

Wednesday 2 March 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.36					CAD	0.8596	0.9230
NZD/USD	0.6748	-0.0003	-0.0010	-0.0027	-0.0073	CHF	0.6203	0.6661
NZD/AUD	0.9313	-0.0008	-0.0026	-0.0061	-0.0130	CNY	4.2590	4.5734
NZD/JPY	77.47	-0.09	-0.28	-0.69	-1.80	DKK	4.5130	4.8462
NZD/EUR	0.6067	-0.0010	-0.0029	-0.0068	-0.0163	FJD	1.4387	1.5449
NZD/GBP	0.5067	-0.0003	-0.0007	-0.0016	-0.0046	HKD	5.2734	5.6627
						KRW	809.56	869.32
AU TWI	61.10					MYR	2.8470	3.0572
AUD/USD	0.7247	0.0003	0.0009	0.0019	0.0023	NOK	6.0062	6.4496
AUD/NZD	1.0738	0.0009	0.0030	0.0071	0.0152	SEK	6.5097	6.9903
AUD/JPY	83.20	-0.02	-0.07	-0.20	-0.78	SGD	0.9165	0.9842
AUD/EUR	0.6515	-0.0005	-0.0013	-0.0030	-0.0086	TWD	18.96	20.36
AUD/GBP	0.5441	0.0001	0.0008	0.0019	0.0026	ZAR	10.4197	11.1889
USD Index	97.44					<b>EQUITIES</b>		
EUR/USD	1.1123	0.0013	0.0037	0.0081	0.0185		<b>Index</b>	
USD/JPY	114.82	-0.08	-0.24	-0.57	-1.44	NZX50	12,198	
GBP/USD	1.3319	0.0002	-0.0002	-0.0013	-0.0022	ASX200	7,097	
EUR/GBP	0.8351	0.0009	0.0029	0.0069	0.0153	Dow Jones	33,294	
						S&P 500	4,292	
						FTSE100	7,330	
						DAX 30	13,905	
						Nikkei	26,845	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		<b>COMMODITIES</b>		
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>		<b>USD</b>	
30 day bank bills		1.08%	1.05%	0.02%	0.02%	Dubai Light	100.75	
90 day bank bills		1.36%	1.33%	0.11%	0.07%	Brent Crude	104.91	
FRA 90d in 3mths		2.10%	2.04%	0.26%	0.23%	Gold	1,939.54	
FRA 180d in 6mths		2.75%	2.75%	0.97%	0.96%	Silver	25.29	
1 year swap		2.21%	2.19%	0.56%	0.55%	CRB Index	286.14	
2 year swap		2.77%	2.75%	1.29%	1.27%		<b>NZD</b>	
3 year swap		2.93%	2.90%	1.66%	1.65%	NZ Carbon	80.00	
5 year swap		3.02%	3.00%	1.98%	1.97%			
10 year swap		3.08%	3.06%	2.33%	2.32%			
10 year Govt bond			2.76%		2.19%			

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