

# Market Alert

Wednesday 23 March 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6955	-0.0027
NZD/AUD	0.9330	-0.0066
NZD/JPY	83.95	-0.89
NZD/EUR	0.6309	-0.0080
NZD/GBP	0.5248	-0.0019
NZD/CNH	4.4350	0.0214
AUD/USD	0.7455	0.0024
AUD/EUR	0.6762	-0.0038
EUR/USD	1.1024	0.0098
USD/CNH	6.3766	0.0556
GBP/USD	1.3255	-0.0005
EUR/GBP	0.8317	0.0077

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.47%	0.18%
2 year swap	3.01%	1.95%
10 year Govt	3.15%	2.71%

## Is the bottom in place?

With global equity markets in positive territory today, and having gained 5.0% over the last week, this is the question we should probably be asking ourselves.

It should also be added that we've seen investors transition into 'riskier' investments, which has seen the US 10-year yield surge to 2.37%, while the NZD and the AUD have broken above key levels at 0.6925 and 0.7400.

Volatility is also continuing to retreat back towards the 20% level and even nickel is off 15% to USD31,000, but there are warning signs – there is a new COVID-19

strain, BA.2, that is gaining traction, interest rates are increasing, commodity prices remain elevated, food inflation is escalating, as are fertiliser prices which are at all-time highs as we enter the northern hemisphere planting season, and we haven't even touched upon the long-term ramifications of the Ukrainian conflict!

So, the question of the day; is the recent bounce symbolic of a change in sentiment with a bottom in place, or are markets simply undervaluing the risks suggesting a return to the risk-off environment?

Interestingly, the lack of any major data releases saw a few central bankers jump on the news wires. First up was San Francisco Fed President, Mary Daly, who stated, *"In many ways the pandemic is the culprit behind high inflation. We have policy-supported demand and fragile supply chains; that's a recipe for inflation. Going forward, I expect some of this to roll off, helping to get supply and demand back in balance. Supply chains will hopefully repair as well. It's time to get back to neutral and looking at if we need to go over neutral. Inflation is too high (although) I see well-anchored inflation expectations. I don't think we'll be at 2% by end of year."*

ECB vice president, Luis de Guindos, wasn't shy either commenting, *"We can dismiss the possibility of stagflation. Inflation is likely to be higher for longer. Fiscal policy is a more effective response to supply induced inflation. I hope that over*

*the weeks, the authorities will take action."* RBA Governor, Philip Lowe, also jumped on the bandwagon adding, *"We won't respond until there is evidence of widespread price pressures. Monitoring the job market for labour costs signals, and how pervasive shift in inflation is psychology. Also monitoring how persistent supply-side problems will be."*

Finally, head of the IMF Kristalina Georgieva stated, *"Tightening financial conditions is going to be big shock to many economies."*

## The terms of the actual data releases

The Richmond Fed manufacturing index showed a sharp improvement, increasing to 13 in March from 1 in February, pointing to an improvement in Fifth District manufacturing activity.

Canadian February producer prices increased 3.1% on the month and 16.4% on the year. This was the sixth consecutive monthly increase, and the largest monthly gain since January of 1980.

The UK government recorded a deficit of GBP13.1 billion in its public finances in February, which was the second-highest February borrowing since monthly records began in 1993 and much higher than the market's expectation of GBP8.1 billion.



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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	74.01					CAD	0.8752	0.9381
NZD/USD	0.6955	-0.0003	-0.0012	-0.0027	-0.0056	CHF	0.6487	0.6952
NZD/AUD	0.9330	-0.0008	-0.0029	-0.0066	-0.0125	CNY	4.4285	4.7455
NZD/JPY	83.95	-0.09	-0.34	-0.89	-2.23	DKK	4.6943	5.0315
NZD/EUR	0.6309	-0.0009	-0.0033	-0.0080	-0.0184	FJD	1.4533	1.5578
NZD/GBP	0.5248	-0.0002	-0.0007	-0.0019	-0.0048	HKD	5.4430	5.8338
						KRW	846.16	907.01
AU TWI	63.00					MYR	2.9294	3.1371
AUD/USD	0.7455	0.0003	0.0010	0.0024	0.0040	NOK	6.1023	6.5414
AUD/NZD	1.0718	0.0009	0.0034	0.0076	0.0145	SEK	6.5784	7.0531
AUD/JPY	89.98	-0.02	-0.08	-0.31	-1.27	SGD	0.9435	1.0114
AUD/EUR	0.6762	-0.0004	-0.0014	-0.0038	-0.0108	TWD	19.85	21.27
AUD/GBP	0.5624	0.0003	0.0010	0.0020	0.0024	ZAR	10.3138	11.0545
USD Index	98.52					<b>EQUITIES</b>		
EUR/USD	1.1024	0.0011	0.0039	0.0098	0.0240		<b>Index</b>	
USD/JPY	120.71	-0.07	-0.28	-0.81	-2.35	NZX50	12,205	
GBP/USD	1.3255	-0.0002	-0.0005	-0.0005	0.0014	ASX200	7,341	
EUR/GBP	0.8317	0.0010	0.0033	0.0077	0.0172	Dow Jones	34,553	
						S&P 500	4,503	
						FTSE100	7,477	
						DAX 30	14,473	
						Nikkei	27,224	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>			
			<b>Mid</b>		<b>Mid</b>			
30 day bank bills			1.15%		0.02%			
90 day bank bills			1.47%		0.18%			
1 year swap			2.54%		1.09%			
2 year swap			3.01%		1.95%			
3 year swap			3.17%		2.41%			
5 year swap			3.27%		2.77%			
10 year swap			3.35%		3.00%			
3 year Govt bond			2.81%		1.99%			
5 year Govt bond			2.98%		2.44%			
10 year Govt bond			3.29%		2.71%			
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Brent Crude	115.65	
						Gold	1,924.31	
						Silver	24.84	
						Iron Ore	145.00	
						CRB Index	318.64	
							<b>NZD</b>	
						NZ Carbon	72.90	

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