

# Market Alert

Thursday 24 March 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6980	-0.0026
NZD/AUD	0.9304	-0.0064
NZD/JPY	84.53	-0.89
NZD/EUR	0.6340	-0.0079
NZD/GBP	0.5284	-0.0019
NZD/CNH	4.4589	0.0244
AUD/USD	0.7502	0.0023
AUD/EUR	0.6815	-0.0039
EUR/USD	1.1009	0.0098
USD/CNH	6.3881	0.0591
GBP/USD	1.3209	-0.0002
EUR/GBP	0.8334	0.0075

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.49%	0.18%
2 year swap	3.17%	1.96%
10 year Govt	3.33%	2.76%

## It sounds very familiar

Interestingly, a lot of the data releases overnight mirrored the sentiment we have seen in New Zealand this year with falling new home sales, plummeting consumer confidence, and surging inflation.

The US housing market, like most developed economies, performed strongly through the pandemic, boosted by aggressive stimulus and flexible working. However, with mortgage rates climbing and household balance sheet costs increasing, the housing market risks becoming a drag as we head into

2023. Overnight, US new home sales fell 2.0% in February to a seasonally adjusted annual rate of 772,000, following on from January's 8.4% decline to 810,000.

It was a similar story in the Eurozone, where consumer confidence fell to its lowest level since May 2020, plummeting 9.9 points on the month to -18.7, well below expectations of -12.9. It should be noted that while this was the first data release in the Eurozone since the war in Ukraine started, the data doesn't consider the full surge in energy prices.

In the UK, inflation hit another multi-decade high in February, touching 6.2% for the first time since the early 1990s. Above market forecasts of 5.9% and higher than January's 5.5%. It is the highest inflation rate since March 1992, as the rising cost of energy and food continued to squeeze the living standards.

Loretta Mester, Bank of Cleveland President and Fed member, favours front loading FOMC rate hikes stating, *"Raising the fed funds rate to about 2.5% will be appropriate, with further rate hikes next year. Frontloading rate hikes is appealing, we can slow the pace, or speed (up the hiking cycle) in 2H 2022, depending on inflation data. Upside risks to inflation from Ukraine conflict are greater than downside risks to US growth. Base case is that the economy will grow at above-trend pace, sustain healthy job gains. Inflation will move down but won't return to 2% this year."*

Loretta's Fed colleague, Mary Daly, announced, *"We are prepared to do whatever it takes to get price stability. There is quite a bit of frontloading compared to prior cycles. The data will tell us if a 50 basis point is the right recipe. Some increase in policy rate above neutral is likely to be required in 2023. Balance sheet adjustments would also deliver at least another rate hike worth of tightening. Very limited chance of US recession, (although it is) too early to call if we will have a global recession."*

China has locked down the major steel hub, the city of Tangshan. Residents are confined to their buildings until the lockdown is eased. Rumours suggest Shanghai could head into a lockdown as well.

## Although nothing has changed

Last night financial markets were actually quite stable as the data essentially confirmed what we already knew, that global growth is stalling while inflationary pressures remain elevated. Equity markets were a sea of red, with European bourses down 1.50% to 2.0%, while the US markets were off 1.0%. Oil, and commodities in general, were higher, although treasury yields eased with the 10-year down to 1.315%. The NZD and AUD continued to grind higher, with the AUD/USD at the 0.7500 level.



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# Daily Rates

Thursday 24 March 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.80					CAD	0.8771	0.9427
NZD/USD	0.6980	-0.0003	-0.0011	-0.0026	-0.0056	CHF	0.6494	0.6980
NZD/AUD	0.9304	-0.0008	-0.0028	-0.0064	-0.0123	CNY	4.4419	4.7786
NZD/JPY	84.53	-0.09	-0.35	-0.89	-2.33	DKK	4.7165	5.0694
NZD/EUR	0.6340	-0.0009	-0.0034	-0.0079	-0.0186	FJD	1.4555	1.5641
NZD/GBP	0.5284	-0.0002	-0.0007	-0.0019	-0.0052	HKD	5.4611	5.8697
						KRW	850.43	914.15
AU TWI	63.50					MYR	2.9410	3.1645
AUD/USD	0.7502	0.0003	0.0011	0.0023	0.0039	NOK	6.0638	6.5177
AUD/NZD	1.0748	0.0009	0.0033	0.0074	0.0144	SEK	6.5875	7.0803
AUD/JPY	90.86	-0.02	-0.10	-0.34	-1.31	SGD	0.9474	1.0183
AUD/EUR	0.6815	-0.0004	-0.0015	-0.0039	-0.0110	TWD	19.96	21.46
AUD/GBP	0.5680	0.0002	0.0009	0.0018	0.0019	ZAR	10.3020	11.0725
USD Index	98.62					<b>EQUITIES</b>		
EUR/USD	1.1009	0.0011	0.0040	0.0098	0.0242		<b>Index</b>	
USD/JPY	121.10	-0.07	-0.30	-0.83	-2.38	NZX50	12,061	
GBP/USD	1.3209	-0.0002	-0.0005	-0.0002	0.0023	ASX200	7,378	
EUR/GBP	0.8334	0.0009	0.0034	0.0075	0.0168	Dow Jones	34,807	
						S&P 500	4,474	
						FTSE100	7,461	
						DAX 30	14,284	
						Nikkei	28,040	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>			
			<b>Mid</b>		<b>Mid</b>			
30 day bank bills			1.17%		0.02%			
90 day bank bills			1.49%		0.18%			
1 year swap			2.65%		1.07%			
2 year swap			3.17%		1.96%			
3 year swap			3.32%		2.36%			
5 year swap			3.40%		2.73%			
10 year swap			3.44%		2.95%			
3 year Govt bond			3.00%		2.03%			
5 year Govt bond			3.17%		2.48%			
10 year Govt bond			3.33%		2.76%			
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Brent Crude	121.69	
						Gold	1,938.82	
						Silver	25.08	
						Iron Ore	142.00	
						CRB Index	318.15	
							<b>NZD</b>	
						NZ Carbon	73.10	

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