

# Market Alert

Friday 25 March 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6955	-0.0026
NZD/AUD	0.9260	-0.0063
NZD/JPY	85.01	-0.91
NZD/EUR	0.6323	-0.0078
NZD/GBP	0.5276	-0.0019
NZD/CNH	4.4369	0.0223
AUD/USD	0.7510	0.0024
AUD/EUR	0.6828	-0.0040
EUR/USD	1.0997	0.0100
USD/CNH	6.3802	0.0549
GBP/USD	1.3182	0.0000
EUR/GBP	0.8343	0.0076

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.48%	0.20%
2 year swap	3.16%	2.06%
10 year Govt	3.29%	2.75%

## Is the Australian economy the strongest in the world?

Well, possibly after the March preliminary PMIs showed growth across the board. The manufacturing PMI increased to 57.3 from 57.0, services rose to 57.9 versus 57.4, and the composite jumped to 57.1 from 56.6 as “the Australian economy continued to expand strongly in March, reflecting robust business conditions post the Omicron wave. Price pressures worsened due to a slew of issues, and while higher employment levels had been a positive sign, firms also reported higher wages.”

Well, one country that could challenge that theory is the US after the services PMI rose to 58.9 in March, well above expectations at 56.0 and higher than February’s 56.5. Furthermore, jobless claims fell to its lowest level since 1969 at 187k, 28k lower than the previous week and a lot lower than the forecast 212k, although there was a negative as new orders for manufactured durable goods declined 2.2% in February.

This positive data saw a few Fed speakers start up on the hawkish rhetoric with St Louis Fed President, James Bullard, suggesting “the US economy will continue to grow above trend this year and next, and labour markets will continue to improve further. We have seen these kinds of oil prices before and it didn’t cause a recession. But Europe could easily be pulled into a recession as a result of the war.” Chicago Fed President, Charles Evans, then added that he “supports reducing the balance sheet relatively quickly. We can reduce the balance sheet and hike at the same meeting. The risk of slowing the economy into a recession isn’t that high. My own view is that I would be comfortable with 25 bps hikes but I’m open minded to a 50bps hike if it helps.”

In the Eurozone, where PMIs remain positive, businesses have clearly been impacted by the surge in energy prices. This saw the composite ease back to 54.5 from 55.5 as manufacturing PMIs slid to 57.0 from 58.2 as supply chain constraints

and higher input prices weighed. Service PMIs also shrunk, to 54.8 from 55.5, while consumer confidence plummeted to -18.7 from -8.8. This saw ECB member, Mario Centeno, announce “a recession in the euro zone is not in the scenario. The situation is delicate, it has to be followed very closely.”

The IMF has announced the RBNZ needs to make “significant increases” to the OCR in the near-term to get on top of inflation and that it needs to undertake “swift policy normalisation.” The IMF then added that while fiscal policy should “remain agile,” the Government should not provide fuel excise duty cuts beyond the 3 months already committed to, suggesting a more ‘targeted’ approach to government spending rather than fuel tax cuts.

## The JPY can’t find a friend for love nor money!

Financial markets extended their gains overnight with international bourses modestly higher as oil prices eased -2.75%. Bond yields firmed a touch, with the US 10-year yield at 2.34%, while the EUR, JPY and NZD were all sold, although the AUD held up rather well, which saw the NZD/AUD fall to 0.9255, a 9-month low, while the NZD/JPY reached a 7-year high having traded above 85.00.



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# Daily Rates

Friday 25 March 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.92					CAD	0.8727	0.9424
NZD/USD	0.6955	-0.0003	-0.0011	-0.0026	-0.0055	CHF	0.6472	0.6989
NZD/AUD	0.9260	-0.0008	-0.0028	-0.0063	-0.0120	CNY	4.4286	4.7821
NZD/JPY	85.01	-0.09	-0.35	-0.91	-2.36	DKK	4.7043	5.0802
NZD/EUR	0.6323	-0.0008	-0.0032	-0.0078	-0.0185	FJD	1.4509	1.5669
NZD/GBP	0.5276	-0.0001	-0.0007	-0.0019	-0.0052	HKD	5.4407	5.8754
						KRW	848.91	916.71
AU TWI	63.70					MYR	2.9393	3.1721
AUD/USD	0.7510	0.0003	0.0011	0.0024	0.0039	NOK	6.0393	6.5218
AUD/NZD	1.0799	0.0009	0.0033	0.0073	0.0142	SEK	6.5461	7.0709
AUD/JPY	91.81	-0.02	-0.10	-0.36	-1.37	SGD	0.9440	1.0195
AUD/EUR	0.6828	-0.0004	-0.0015	-0.0040	-0.0113	TWD	19.94	21.53
AUD/GBP	0.5697	0.0003	0.0010	0.0018	0.0018	ZAR	10.11	10.92
USD Index	98.83					<b>EQUITIES</b>		
EUR/USD	1.0997	0.0011	0.0041	0.0100	0.0245		<b>Index</b>	
USD/JPY	122.25	-0.07	-0.30	-0.86	-2.45	NZX50	12,018	
GBP/USD	1.3182	-0.0002	-0.0004	0.0000	0.0027	ASX200	7,387	
EUR/GBP	0.8343	0.0009	0.0033	0.0076	0.0169	Dow Jones	34,359	
						S&P 500	4,498	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		FTSE100	7,467	
		<b>Mid</b>		<b>Mid</b>		DAX 30	14,274	
30 day bank bills		1.17%		0.02%		Nikkei	28,110	
90 day bank bills		1.48%		0.20%		<b>COMMODITIES</b>		
1 year swap		2.65%		1.12%			<b>USD</b>	
2 year swap		3.16%		2.06%		Brent Crude	117.54	
3 year swap		3.30%		2.47%		Gold	1,961.67	
5 year swap		3.38%		2.82%		Silver	25.57	
10 year swap		3.44%		3.04%		Iron Ore	142.00	
3 year Govt bond		2.96%		2.19%		CRB Index	325.83	
5 year Govt bond		3.13%		2.48%			<b>NZD</b>	
10 year Govt bond		3.30%		2.75%		NZ Carbon	74.00	

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