

Market Alert

Wednesday 30 March 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6941	-0.0027
NZD/AUD	0.9242	-0.0064
NZD/JPY	85.31	-0.96
NZD/EUR	0.6260	-0.0081
NZD/GBP	0.5302	-0.0022
NZD/CNH	4.4244	0.0191
AUD/USD	0.7510	0.0023
AUD/EUR	0.6773	-0.0040
EUR/USD	1.1090	0.0100
USD/CNH	6.3748	0.0522
GBP/USD	1.3091	0.0003
EUR/GBP	0.8471	0.0075

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.52%	0.22%
2 year swap	3.28%	2.27%
10 year Govt	3.32%	2.89%

The peace pop!

The Euro rallied strongly against the US dollar on news that Russia has decided to sharply reduce combat activity near Kyiv and Chernihiv in an effort to de-escalate the armed conflict and give a boost to ceasefire negotiations. In saying that, Russia's advance on the capital had stalled but it has offered a pathway to a potential meeting between Vladimir Putin and Volodymyr Zelenskiy.

While any talk of peace is premature, EUR/USD has popped through the 1.1000 level and is targeting 1.1100.

Equity market is also modestly higher, while oil has eased off after OPEC advised the US, *"Today's volatility would have been even worse if OPEC+ were not together and did not exist. We're trying to balance the market and when we say this is the right way to do it, we know it from experience. So trust us."* It's kinda like Chris Rock saying to Will Smith, *"Thank you very much Sir, can I please have another."* The NZD and AUD have also popped and are back above the 0.6925 and 0.7500 levels.

As soon as everyone started debating the implications of inverted yield curves and whether a negative 2x10-year yield spread implies a recession, then 'BANG' ... the 2x10-year US treasury yield inverted for the first time since 2019 as the 10-year yield retreated to 2.385%! Admittedly, the spread has since bounced back into positive territory at 1.0, but let's not get hung up on the detail.

Speaking of detail, we often speak about unemployment rates, but what job openings? Well, in the US they are at 11.266 million vacancies with 1.8 job openings for every unemployed person! US house prices also increased 19.1% in the 12 months to January. Consumer confidence eased back to 107.2 from February's 110.5.

Philadelphia Fed President, Patrick Harker, announced he expects a series of *"deliberate, methodical"* rate increases this year with the balance sheet reduction to start shortly.

The outlook isn't so positive in Germany, consumer confidence fell to -15.5 weighed down by the war in Ukraine and inflation. Household's economic and income prospects also collapsed to levels last seen in the 2009 financial crisis.

Australian February retail sales came in flat on the prior month at 1.8% versus the expected 1.0%. On an annual basis, sales grew at 6.7%, although the outlook is rather pessimistic after weekly consumer confidence fell further to 91.1 from 91.2 – not too much of a drop, but an ugly result, nevertheless.

At last, JGB sellers!

In 'just for a change,' the BoJ has been defending its 10-year 0.25% yield target as part of its ongoing loose monetary policy program ... and the good news is that this time there were some sellers! Japan's finance minister, Shun'ichi Suzuki, also commenting on the weak yen stating he, *"will closely watch market moves to avoid negative yen weakness."*

Shanghai is rolling out a series of economic support policies for firms impacted by the recent lockdown including tax credit and refunds, SME guarantees, three months of free cloud, mobile services, with financial institutions encouraged to increase credit support and reduce loan interest rates for firms involved in food supply.



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Daily Rates

Wednesday 30 March 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.28					CAD	0.8675	0.9386
NZD/USD	0.6941	-0.0004	-0.0012	-0.0027	-0.0053	CHF	0.6463	0.6994
NZD/AUD	0.9242	-0.0008	-0.0030	-0.0064	-0.0115	CNY	4.4160	4.7786
NZD/JPY	85.31	-0.08	-0.36	-0.96	-2.46	DKK	4.6562	5.0385
NZD/EUR	0.6260	-0.0010	-0.0034	-0.0081	-0.0185	FJD	1.4485	1.5669
NZD/GBP	0.5302	-0.0002	-0.0007	-0.0022	-0.0056	HKD	5.4341	5.8797
						KRW	838.63	907.36
AU TWI	64.00					MYR	2.9181	3.1621
AUD/USD	0.7510	0.0002	0.0011	0.0023	0.0036	NOK	6.0221	6.5147
AUD/NZD	1.0822	0.0009	0.0035	0.0076	0.0136	SEK	6.4716	7.0022
AUD/JPY	92.31	-0.02	-0.10	-0.39	-1.53	SGD	0.9414	1.0186
AUD/EUR	0.6773	-0.0004	-0.0015	-0.0040	-0.0116	TWD	19.92	21.55
AUD/GBP	0.5737	0.0003	0.0010	0.0016	0.0011	ZAR	10.07	10.89
USD Index	98.47					EQUITIES		
EUR/USD	1.1090	0.0010	0.0040	0.0100	0.0248		Index	
USD/JPY	122.91	-0.06	-0.31	-0.90	-2.62	NZX50	11,920	
GBP/USD	1.3091	-0.0002	-0.0003	0.0003	0.0038	ASX200	7,464	
EUR/GBP	0.8471	0.0009	0.0033	0.0075	0.0165	Dow Jones	34,956	
						S&P 500	4,621	
						FTSE100	7,537	
						DAX 30	14,820	
						Nikkei	28,252	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Mid		Mid			USD	
30 day bank bills		1.22%		0.02%		Brent Crude	110.02	
90 day bank bills		1.52%		0.22%		Gold	1,917.08	
1 year swap		2.75%		1.26%		Silver	24.74	
2 year swap		3.28%		2.27%		Iron Ore	147.50	
3 year swap		3.41%		2.69%		CRB Index	318.33	
5 year swap		3.46%		3.03%			NZD	
10 year swap		3.49%		3.15%		NZ Carbon	76.05	
3 year Govt bond		3.02%		2.48%				
5 year Govt bond		3.18%		2.73%				
10 year Govt bond		3.33%		2.89%				

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