

Market Alert

Thursday 31 March 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6973	-0.0028
NZD/AUD	0.9288	-0.0067
NZD/JPY	84.94	-0.97
NZD/EUR	0.6248	-0.0081
NZD/GBP	0.5308	-0.0022
NZD/CNH	4.4351	0.0187
AUD/USD	0.7508	0.0024
AUD/EUR	0.6727	-0.0039
EUR/USD	1.1162	0.0102
USD/CNH	6.3598	0.0525
GBP/USD	1.3137	0.0002
EUR/GBP	0.8497	0.0076

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.52%	0.22%
2 year swap	3.30%	2.23%
10 year Govt	3.27%	2.79%

Reality kills the peace pop!

A sense of reality returned to equity markets overnight after Russia downplayed peace talks while Russian forces hit targets around Kyiv. Equity markets were broadly -0.5% to -1.0% lower, while energy commodities jumped 2.0% to 4.0%.

Interestingly, US Treasury yields continued to ease back from their recent highs, with the 10-year at 2.355%, while the NZD flirted with the 0.7000 level ahead of the end of the quarter. The EUR also spiked higher while the AUD was flat which saw the NZD/AUD revert to the middle of its 0.9200-0.9400 range.

The NZ business survey for March highlighted that business confidence remains deeply pessimistic at -41.9, although it was a slight improvement on last month's -51.8. The own activity outlook also bounced back into positive territory at +3.3 from -2.2 Building permits also recovered in February, up +10.5% on the month off-setting January's -9.2% fall.

Meanwhile, in Australia, the Bureau of Statistics is "examining the feasibility of producing a monthly Consumer Price Index (CPI) that would include the most significant items in the full CPI basket of goods and services and complement the current, quarterly CPI."

Atlanta Fed President, Raphael Bostic, announced, "the war in Ukraine is impacting inflation and boosting uncertainty. If the Fed moves too quickly the economy could be harmed. (My) preference is for 6 hikes this year. We can hike rates without causing a recession." Then Kansas City Fed President, Esher George, added that she, "Sees the neutral rate at around 2.5% as a starting point. The Fed's holdings should decline significantly allowing longer term rates to rise along with its increases in the short term. Possible yield curve inversion should factor into the balance sheet decision. Inversion has implications for financial stability (but we are) less concerned about its value as a predictor of recession."

And just to highlight how well the US economy is doing, private businesses hired 455,000 workers in March, slightly above forecasts of 450,000, and the final

Q4 GDP print confirmed growth of 6.9%, which was 0.1% lower than in the second estimate. Still, it remains the strongest expansion since the COVID-19 related 33.8% bounce in Q3 2020.

German headline inflation surged once again hitting a 48 year high of 7.3% in the year to March, up from 5.1% in February, as the upward pressure on energy, commodity, and food prices continued to impact. Meanwhile, Germany and Austria are planning for gas rationing over their payment stand-off with Russia – Russia wants Roubles while Germany is insisting on EUR or USD.

Finally, Japanese retail sales in the year to February fell -0.8% against an expected contraction of -0.3%.

Everyone has an opinion

According to PIMCO, the yield curve inversion this time around may not be a reliable indicator of a coming recession, as the "enormous amount of quantitative easing" from central banks may blunt the inversion's accuracy as a recession warning.

Bank of America suggests US interest rates will continue to rise further as lofty government deficits and the upcoming QT from the Fed will require the private sector to absorb USD3 trillion of new bond supply over the next 2 years.

Goldman Sachs are ramping up their FX forecasts calling EUR/USD to 1.20 in 12 months time.



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Daily Rates

Thursday 31 March 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.63					CAD	0.8700	0.9367
NZD/USD	0.6973	-0.0004	-0.0012	-0.0028	-0.0054	CHF	0.6435	0.6927
NZD/AUD	0.9288	-0.0008	-0.0031	-0.0067	-0.0117	CNY	4.4288	4.7675
NZD/JPY	84.94	-0.10	-0.36	-0.97	-2.44	DKK	4.6465	5.0025
NZD/EUR	0.6248	-0.0009	-0.0033	-0.0081	-0.0183	FJD	1.4523	1.5641
NZD/GBP	0.5308	-0.0002	-0.0008	-0.0022	-0.0054	HKD	5.4583	5.8767
						KRW	844.03	908.45
AU TWI	64.10					MYR	2.9340	3.1577
AUD/USD	0.7508	0.0003	0.0011	0.0024	0.0037	NOK	5.9745	6.4324
AUD/NZD	1.0767	0.0010	0.0036	0.0078	0.0137	SEK	6.4493	6.9437
AUD/JPY	91.45	-0.02	-0.10	-0.39	-1.50	SGD	0.9433	1.0156
AUD/EUR	0.6727	-0.0004	-0.0014	-0.0039	-0.0112	TWD	19.95	21.47
AUD/GBP	0.5715	0.0003	0.0010	0.0017	0.0015	ZAR	10.10	10.87
USD Index	97.88					EQUITIES		
EUR/USD	1.1162	0.0010	0.0040	0.0102	0.0247		Index	
USD/JPY	121.79	-0.07	-0.31	-0.90	-2.60	NZX50	12,099	
GBP/USD	1.3137	-0.0003	-0.0003	0.0002	0.0032	ASX200	7,515	
EUR/GBP	0.8497	0.0010	0.0033	0.0076	0.0167	Dow Jones	35,294	
						S&P 500	4,599	
						FTSE100	7,579	
						DAX 30	14,606	
						Nikkei	28,027	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Mid		Mid			USD	
30 day bank bills		1.23%		0.02%		Brent Crude	112.95	
90 day bank bills		1.52%		0.22%		Gold	1,932.55	
1 year swap		2.78%		1.25%		Silver	24.81	
2 year swap		3.30%		2.23%		Iron Ore	147.50	
3 year swap		3.40%		2.62%		CRB Index	313.49	
5 year swap		3.43%		2.95%			NZD	
10 year swap		3.43%		3.10%		NZ Carbon	76.00	
3 year Govt bond		3.03%		2.35%				
5 year Govt bond		3.16%		2.61%				
10 year Govt bond		3.27%		2.79%				

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