

# Market Alert

Friday 4 March 2022

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.6802 | -0.0025 |
| NZD/AUD    | 0.9279 | -0.0062 |
| NZD/JPY    | 78.51  | -0.71   |
| NZD/EUR    | 0.6148 | -0.0068 |
| NZD/GBP    | 0.5095 | -0.0013 |
| NZD/CNH    | 4.2996 | 0.0294  |
| AUD/USD    | 0.7330 | 0.0022  |
| AUD/EUR    | 0.6625 | -0.0029 |
| EUR/USD    | 1.1064 | 0.0082  |
| USD/CNH    | 6.3223 | 0.0669  |
| GBP/USD    | 1.3350 | -0.0017 |
| EUR/GBP    | 0.8288 | 0.0072  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 1.00% | 0.10%     |
| 90 day bills | 1.34% | 0.10%     |
| 2 year swap  | 2.77% | 1.41%     |
| 10 year Govt | 2.80% | 2.17%     |

## Central bank chit-chat

In today's testimony before the Senate Banking Committee, the Fed Chair, Jerome Powell, harked back to the tough old days of his predecessor, Chairman Volcker. In the early 1980's, he would "do what it takes" to maintain stable prices and rein in inflation.

He then noted the war is likely to aggravate supply chain disruptions, which could keep prices elevated longer. He also reiterated the Fed needs to take a "careful" approach to policy although he thought a quarter-point interest rate increase would be appropriate at the March meeting and

that he expects the Fed to make a "series" of increases, this year.

The ECB minutes confirmed the increasing hawkishness that we have heard from individual members, with an increasing unease about ultra-loose monetary policy and a growing willingness to start normalising.

Risks to the inflation outlook were tilted to the upside due to higher energy prices, a stronger than expected pass-through of higher producer prices to consumer prices, the continued overshooting of actual inflation developments compared with forecasts, and the notion that "longer-term inflation expectations had continued to converge to the 2% target." Some officials argued that asset purchases and negative rates were no longer appropriate with the data. The risk being the members would be tightening monetary policy too late rather than too early. On a positive note, unemployment dipped under 7.0% for the first time ever falling to 6.8% in January, down from 7.0% in December.

With US overnight data releases — initial claims eased to 215k from 232k while continuing claims were steady at 1,476k. The ISM services index fell to 56.5 when 61.1 was expected, durable goods orders were in line with expectations at 1.6%, and factory orders exceeded the expected 0.7% to hit 1.6%. Finally, the Markit services PMIs came in at 56.5 which saw the composite weaken slightly to 55.9.

Speaking of PMIs, the Markit services print in China hit 50.2, against a forecast of 50.7, as activity expanded at its slowest rate in 6 months, while the composite index was flat at 50.1.

Finally, in the Antipodes, the Australian trade balance smashed expectations at AUD12.89 billion in January as exports grew 8.0% while imports fell 2.0%, although Australian building approvals collapsed in January falling 27.9%. February services PMIs expanded to 57.4 from 56.4 while the composite touched 56.6 from 55.9. In New Zealand, the February commodity price index grew 3.9% on the month as, "Prices lifted across most commodity groups with dairy and aluminium leading the charge."

## The great pause

Considering the recent price action, last night was, in comparison, a quiet night! I suspect it was a case of exhaustion as traders paused to review the recent price-action and take stock, excuse the pun, ahead of tonight's non-farm payroll numbers. Yes, European equities were in a state of flux once again, down another 2.0%, but the US bourses are broadly flat, as is the T-bond yield at 1.855%.

It was a similar story in commodity markets with oil modestly lower, although there were some interesting moves in the currency markets where the EUR was hit hard which saw AUD/EUR explode to a 3 year high.



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# Daily Rates

Friday 4 March 2022

| FX                    | Spot   | FECs (mid)         |               |                  |               | Spot Mid           |              |         |
|-----------------------|--------|--------------------|---------------|------------------|---------------|--------------------|--------------|---------|
|                       | Mid    | 1mth               | 3mths         | 6mths            | 12mths        | NZD/...            | AUD/...      |         |
| NZ TWI                | 72.86  |                    |               |                  |               | CAD                | 0.8619       | 0.9289  |
| NZD/USD               | 0.6802 | -0.0003            | -0.0011       | -0.0025          | -0.0062       | CHF                | 0.6250       | 0.6735  |
| NZD/AUD               | 0.9279 | -0.0007            | -0.0027       | -0.0062          | -0.0128       | CNY                | 4.2982       | 4.6324  |
| NZD/JPY               | 78.51  | -0.08              | -0.29         | -0.71            | -1.86         | DKK                | 4.5731       | 4.9287  |
| NZD/EUR               | 0.6148 | -0.0008            | -0.0029       | -0.0068          | -0.0163       | FJD                | 1.4378       | 1.5496  |
| NZD/GBP               | 0.5095 | -0.0002            | -0.0006       | -0.0013          | -0.0038       | HKD                | 5.3146       | 5.7278  |
|                       |        |                    |               |                  |               | KRW                | 819.27       | 882.97  |
| AU TWI                | 61.60  |                    |               |                  |               | MYR                | 2.8394       | 3.0602  |
| AUD/USD               | 0.7330 | 0.0003             | 0.0010        | 0.0022           | 0.0035        | NOK                | 6.0615       | 6.5328  |
| AUD/NZD               | 1.0778 | 0.0009             | 0.0032        | 0.0072           | 0.0151        | SEK                | 6.6264       | 7.1417  |
| AUD/JPY               | 84.61  | -0.02              | -0.06         | -0.20            | -0.85         | SGD                | 0.9228       | 0.9945  |
| AUD/EUR               | 0.6625 | -0.0004            | -0.0012       | -0.0029          | -0.0085       | TWD                | 19.04        | 20.52   |
| AUD/GBP               | 0.5491 | 0.0003             | 0.0010        | 0.0023           | 0.0035        | ZAR                | 10.3310      | 11.1343 |
| USD Index             | 97.77  |                    |               |                  |               | <b>EQUITIES</b>    |              |         |
| EUR/USD               | 1.1064 | 0.0011             | 0.0035        | 0.0082           | 0.0197        |                    | <b>Index</b> |         |
| USD/JPY               | 115.43 | -0.07              | -0.24         | -0.62            | -1.69         | NZX50              | 12,211       |         |
| GBP/USD               | 1.3350 | -0.0001            | -0.0007       | -0.0017          | -0.0022       | ASX200             | 7,151        |         |
| EUR/GBP               | 0.8288 | 0.0009             | 0.0030        | 0.0072           | 0.0162        | Dow Jones          | 33,987       |         |
|                       |        |                    |               |                  |               | S&P 500            | 4,385        |         |
|                       |        |                    |               |                  |               | FTSE100            | 7,239        |         |
|                       |        |                    |               |                  |               | DAX 30             | 13,698       |         |
|                       |        |                    |               |                  |               | Nikkei             | 26,577       |         |
| <b>INTEREST RATES</b> |        | <b>New Zealand</b> |               | <b>Australia</b> |               | <b>COMMODITIES</b> |              |         |
|                       |        | <b>Borrow</b>      | <b>Invest</b> | <b>Borrow</b>    | <b>Invest</b> |                    | <b>USD</b>   |         |
| 30 day bank bills     |        | 1.08%              | 1.05%         | 0.02%            | 0.02%         | Dubai Light        | 118.53       |         |
| 90 day bank bills     |        | 1.36%              | 1.34%         | 0.12%            | 0.08%         | Brent Crude        | 112.50       |         |
| FRA 90d in 3mths      |        | 2.09%              | 2.06%         | 0.39%            | 0.36%         | Gold               | 1,934.70     |         |
| FRA 180d in 6mths     |        | 2.93%              | 2.78%         | 1.26%            | 1.25%         | Silver             | 25.16        |         |
| 1 year swap           |        | 2.25%              | 2.23%         | 0.68%            | 0.67%         | CRB Index          | 307.44       |         |
| 2 year swap           |        | 2.78%              | 2.76%         | 1.42%            | 1.40%         |                    | <b>NZD</b>   |         |
| 3 year swap           |        | 2.94%              | 2.92%         | 1.80%            | 1.78%         | NZ Carbon          | 79.00        |         |
| 5 year swap           |        | 3.04%              | 3.02%         | 2.10%            | 2.09%         |                    |              |         |
| 10 year swap          |        | 3.08%              | 3.06%         | 2.47%            | 2.44%         |                    |              |         |
| 10 year Govt bond     |        |                    | 2.78%         |                  | 2.17%         |                    |              |         |

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