

Market Alert

Monday 7 March 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6854	-0.0026
NZD/AUD	0.9301	-0.0063
NZD/JPY	78.69	-0.74
NZD/EUR	0.6279	-0.0071
NZD/GBP	0.5178	-0.0014
NZD/CNH	4.3348	0.0308
AUD/USD	0.7367	0.0022
AUD/EUR	0.6734	-0.0031
EUR/USD	1.0941	0.0084
USD/CNH	6.3253	0.0690
GBP/USD	1.3237	-0.0013
EUR/GBP	0.8265	0.0072

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.34%	0.12%
2 year swap	2.81%	1.46%
10 year Govt	2.79%	2.15%

Strong US data, but the focus is on Eastern Europe

As it usually is at the start of the month, Friday's focus was on the US non-farm payrolls, and it didn't disappoint as 678,000 workers were added to the workforce versus the 423,000 forecast. There was also a further 92,000 of upward revisions to the December and January numbers, which meant US employment is down just 2,105k from its February 2020 peak with the unemployment rate now firmly below 4.0% at 3.8%.

Last week, during his testimony on Capitol Hill, Federal Reserve Chair, Jerome Powell, said that he would look to raise rates by 25 basis points in March. However, he would not be opposed to raising rates at a larger pace at a future meeting or meetings given the trajectory of inflation and the risk of it becoming more embedded. He also answered "Yes" when asked if he would act in a 'Volcker-like' manner to combat inflation, which saw the number of Fed tightenings in 2022 moved up to 6.

This bounce in the number of projected hikes saw the dollar index break above the 98.60 level for the first time since May of 2020 with the NZD and the AUD the strongest performing currencies, while the EUR was the weakest after it broke down below the 1.10 level.

The strong data also saw investors return to the safety of government bonds while tensions lingered following the fighting and the fire at the Zaporizhzhya nuclear power plant, which saw the US 10 year Treasury bond ease to 1.73% while the German 10 year bund closed at -0.07%, while, once again, US and European shares were sharply lower as commodity prices soared. Brent crude futures surged to a 10-year high while EU natural gas, Newcastle coal, aluminium, copper, palladium, retained their higher momentum. And wheat hit an all-time high.

In other news, Eurozone January retail sales increased 0.2%, which was slightly

disappointing when +1.3% was expected. In Germany the January trade balance expanded to EUR9.4 billion although breaking the detail down told a slightly different story after exports fell -2.8% while imports slumped -4.2%. We also had German February construction PMI's increase to 54.9 from 54.4, while the UK February construction PMIs gapped higher to 59.1 from 56.3

In our part of the world

In New Zealand, the local consumer confidence survey nosedived 16 points in February to hit its lowest level since the survey began in 2004. Yes, it is lower than the GFC and at the onset of the COVID-19 pandemic 2 years ago! The Financial Services Council Resilience Index wasn't any prettier either after 68% of respondents were worried about house prices, 79% were concerned about inflation, and 43% were not confident in the New Zealand economy!

In Australia, there was some positive news in that businesses reported an easing of supply chain shortages in February from January, but the flooding on the east coast and the invasion of Ukraine are likely to generate new logistical issues!

This week we have US inflation data that will most likely reinforce the case for six rate hikes this year, while the ECB will set their inflation projections for 2023 and 2024.



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Daily Rates

Monday 7 March 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.49					CAD	0.8734	0.9390
NZD/USD	0.6854	-0.0003	-0.0011	-0.0026	-0.0067	CHF	0.6294	0.6767
NZD/AUD	0.9301	-0.0008	-0.0028	-0.0063	-0.0129	CNY	4.3362	4.6620
NZD/JPY	78.69	-0.09	-0.32	-0.74	-1.91	DKK	4.6598	5.0100
NZD/EUR	0.6279	-0.0010	-0.0031	-0.0071	-0.0172	FJD	1.4481	1.5569
NZD/GBP	0.5178	-0.0003	-0.0007	-0.0014	-0.0042	HKD	5.3551	5.7575
						KRW	833.04	895.65
AU TWI	62.10					MYR	2.8559	3.0705
AUD/USD	0.7367	0.0004	0.0011	0.0022	0.0031	NOK	6.1303	6.5910
AUD/NZD	1.0752	0.0010	0.0033	0.0073	0.0151	SEK	6.7600	7.2680
AUD/JPY	84.56	-0.03	-0.08	-0.22	-0.89	SGD	0.9337	1.0039
AUD/EUR	0.6734	-0.0004	-0.0013	-0.0031	-0.0093	TWD	19.25	20.69
AUD/GBP	0.5565	0.0002	0.0009	0.0022	0.0033	ZAR	10.5457	11.3382
USD Index	98.65					EQUITIES		
EUR/USD	1.0941	0.0013	0.0038	0.0084	0.0200		Index	
USD/JPY	114.79	-0.09	-0.28	-0.65	-1.69	NZX50	12,142	
GBP/USD	1.3237	0.0002	-0.0003	-0.0013	-0.0022	ASX200	7,111	
EUR/GBP	0.8265	0.0008	0.0030	0.0072	0.0165	Dow Jones	33,615	
						S&P 500	4,329	
						FTSE100	6,987	
						DAX 30	13,095	
						Nikkei	25,985	
						COMMODITIES		
							USD	
						Dubai Light	116.08	
						Brent Crude	118.11	
						Gold	1,969.96	
						Silver	25.66	
						CRB Index	318.99	
							NZD	
						NZ Carbon	78.50	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.09%	1.05%	0.02%	0.02%
90 day bank bills	1.37%	1.34%	0.14%	0.10%
FRA 90d in 3mths	2.14%	2.10%	0.44%	0.41%
FRA 180d in 6mths	2.83%	2.80%	1.31%	1.29%
1 year swap	2.28%	2.26%	0.72%	0.71%
2 year swap	2.82%	2.80%	1.47%	1.45%
3 year swap	2.97%	2.95%	1.83%	1.82%
5 year swap	3.05%	3.02%	2.09%	2.08%
10 year swap	3.04%	3.01%	2.42%	2.41%
10 year Govt bond		2.78%		2.15%

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