

Market Alert

Monday 8 March 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6829	-0.0026
NZD/AUD	0.9323	-0.0064
NZD/JPY	78.78	-0.75
NZD/EUR	0.6273	-0.0073
NZD/GBP	0.5204	-0.0013
NZD/CNH	4.3193	0.0304
AUD/USD	0.7323	0.0023
AUD/EUR	0.6727	-0.0032
EUR/USD	1.0886	0.0087
USD/CNH	6.3255	0.0687
GBP/USD	1.3124	-0.0017
EUR/GBP	0.8295	0.0077

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.34%	0.14%
2 year swap	2.80%	1.51%
10 year Govt	2.74%	2.14%

It's not a surprise ...

but the status quo remains the same – Equities are in the red, treasury yields are easing lower, wheat and oil are surging, and the EUR is getting smashed!

One major difference is that the Biden administration is considering banning the importation of Russian oil and energy products, while the EU have agreed to 'phase out' dependency on Russian gas, oil and coal! To be honest, for all of the political huff and puff about sanctions, I would have thought if the western democracies were serious about pressuring Russia, then putting an end

to having over suitcases full of cash for their gas and oil would have been the starting point!

As always, with Europe energy dependant on Russia, and the US buying vast quantities daily, it will be extremely difficult to find a consensus. Japan is also considering banning imports of Russian oil although Canada announced it has spare pipeline and rail capacity to increase oil sent to the US. However, the US has also approached Venezuela about supply. Interestingly, Russian oil giant Gazprom is said to have made a USD1.3 billion bond payment in USD while the nuclear talks with Iran have suddenly taken on a greater significance given Iran's oil reserves.

As mentioned, the US equity markets have slumped 1.75%-2.0% following from Europe's 2.0-3.0% capitulation. Investors continue to assess the growing risks of stagflation to the global economy from the escalating conflict in eastern Europe amid continued commodity inflation, falling economic growth. There are concerns that central banks and governments will struggle to manage these risks, although I would suggest cutting the tax on petrol would be a good starting point!

The 10-year treasury yield is relatively flat at 1.74%, oil is sitting in the mid USD120s, gold traded at USD2000 for the first time since August 2020, while the EUR broke through the 1.09 level against the USD hitting a 22-month low. The AUD and NZD have also eased back a cent from yesterday's highs.

Ahead of this week's ECB meeting, the Euro-area investor sentiment index collapsed to -7.0 in March from February's 16.6. Although German retail sales and manufacturing exceeded expectations at 2.0% and 1.8%. In Australia, February services PMI rocketed to 60 from January's 56.2, while job advertisements increase by 8.4% in February.

In other news ...

Chinese Premier, Li Keqiang, announced China will aim for economic growth of "around 5.5%" this year, which is well down from the 2021 target of 8.1%. He then added the external environment is becoming "increasingly volatile, grave and uncertain" while commodity prices "remain high and prone to fluctuation." Furthermore, the economy is struggling with its strict "zero-COVID" measures weighing on growth and the China's slumping and heavily indebted property sector.

The head of the UK's armed forces has announced, in *The Times*, that Russia's lead forces have been "decimated" and it is not inevitable that it will succeed in taking over Ukraine, the invasion was "not going well."

We have our first rumours of FX intervention since the war began with the Bank of Korea said to be buying KRW against the USD to stem the Won's fall.



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Daily Rates

Monday 8 March 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.49					CAD	0.8741	0.9375
NZD/USD	0.6829	-0.0003	-0.0010	-0.0026	-0.0066	CHF	0.6321	0.6780
NZD/AUD	0.9323	-0.0008	-0.0028	-0.0064	-0.0128	CNY	4.3162	4.6296
NZD/JPY	78.78	-0.09	-0.31	-0.75	-1.95	DKK	4.6674	5.0063
NZD/EUR	0.6273	-0.0010	-0.0031	-0.0073	-0.0175	FJD	1.4569	1.5627
NZD/GBP	0.5204	-0.0002	-0.0006	-0.0013	-0.0039	HKD	5.3389	5.7265
						KRW	837.80	898.64
AU TWI	62.80					MYR	2.8793	3.0884
AUD/USD	0.7323	0.0004	0.0011	0.0023	0.0030	NOK	6.1680	6.6159
AUD/NZD	1.0726	0.0009	0.0032	0.0074	0.0149	SEK	6.8176	7.3127
AUD/JPY	84.49	-0.02	-0.08	-0.23	-0.95	SGD	0.9299	0.9974
AUD/EUR	0.6727	-0.0005	-0.0013	-0.0032	-0.0097	TWD	19.44	20.86
AUD/GBP	0.5580	0.0003	0.0010	0.0024	0.0036	ZAR	10.4948	11.2568
USD Index	99.00					EQUITIES		
EUR/USD	1.0886	0.0013	0.0037	0.0087	0.0205		Index	
USD/JPY	115.39	-0.09	-0.27	-0.67	-1.77	NZX50	11,913	
GBP/USD	1.3124	0.0000	-0.0006	-0.0017	-0.0029	ASX200	7,039	
EUR/GBP	0.8295	0.0010	0.0032	0.0077	0.0175	Dow Jones	33,011	
						S&P 500	4,235	
						FTSE100	6,959	
						DAX 30	12,835	
						Nikkei	25,221	
						COMMODITIES		
							USD	
						Dubai Light	126.90	
						Brent Crude	125.40	
						Gold	1,995.21	
						Silver	25.58	
						CRB Index	318.99	
							NZD	
						NZ Carbon	76.50	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.08%	1.05%	0.02%	0.02%
90 day bank bills	1.37%	1.34%	0.16%	0.12%
FRA 90d in 3mths	2.20%	2.17%	0.49%	0.46%
FRA 180d in 6mths	2.89%	2.86%	1.35%	1.33%
1 year swap	2.32%	2.30%	0.77%	0.76%
2 year swap	2.81%	2.79%	1.53%	1.50%
3 year swap	2.97%	2.95%	1.91%	1.88%
5 year swap	3.05%	3.03%	2.15%	2.14%
10 year swap	3.05%	3.03%	2.46%	2.44%
10 year Govt bond		2.72%		2.14%

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