

Market Alert

Monday 4 April, 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6919	-0.0026
NZD/AUD	0.9233	-0.0066
NZD/JPY	84.85	-0.94
NZD/EUR	0.6268	-0.0080
NZD/GBP	0.5279	-0.0017
NZD/CNH	4.4087	0.0161
AUD/USD	0.7496	0.0026
AUD/EUR	0.6790	-0.0039
EUR/USD	1.1036	0.0103
USD/CNH	6.3661	0.0530
GBP/USD	1.3097	0.0004
EUR/GBP	0.8414	0.0076

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.53%	0.23%
2 year swap	3.29%	2.25%
10 year Govt	3.22%	2.82%

We all knew that

Non-farm payrolls essentially told us what we already knew ... that the US jobs market remains red hot as employers added 431,000 jobs and the unemployment rate dropped to 3.6% from 3.8%.

Employment gains over the last 2 months were also revised up with a further 95,000 jobs added across both months, while the participation rate rose slightly to 62.4% from 62.3%. Importantly, wage growth jumped at a brisk 0.4% on the month and 5.6% on the year.

In other news, US ISM manufacturing PMIs fell to 57.1 in March from 58.6 in

February, as surging energy costs impacted production, while ongoing struggles with supply chains and labour shortages also contributed.

In the Eurozone, annual inflation surged to an all time high of 7.5% in March, which was well above market forecasts of 6.6% and February's 5.9%. The print was the 4th successive record high as the war in Ukraine and sanctions on Russia pushed fuel and natural gas prices to record highs.

In China, the Caixin manufacturing PMIs for March dropped into contraction territory at 48.1, which was down from February's 50.4 and missed market consensus of 50. The latest print was also the second contraction in factory activity since the start of the year as the COVID-19 related lockdowns impacted. It was a similar story in Japan where the BoJ's Tankan report for Q1 highlighted 'large' manufacturing had contracted from 18 to 14, although manufacturing PMIs expanded in March to 54.1 from February's 52.7. Finally, the Australian Markit manufacturing PMIs were revised higher to 57.7 in March, while mortgage financing for home loans contracted -3.7% on the month against an expected +1.5 increase.

Following on from President Biden's plans to release 180 million barrels of oil from the strategic reserves, Goldman Sachs have dropped their H2 2022 Brent forecast to USD120 per barrel, although they added that the extra supply would "not resolve the structural supply deficit,

[that has taken] years in the making. Lower prices in 2022 will support oil demand while slowing the acceleration in shale production creating a deficit in 2023, as well as the likely requirement to refill the strategic reserves." Essentially lower prices disincentivises shale producers, which has seen Goldman's raise their 2023 Brent oil prices by USD5 to USD115 per barrel. On Friday, crude closed at USD99.27, while Brent ended up at USD104.68.

Citibank announced the odds of a recession are 'significant' over the next 18 months, with a 1-in-3 chance of a global downturn and 1-in-4 possibility for the US. Fed member John Williams also announced that while, "Uncertainty about the economic outlook remains extraordinarily high, and risks to the inflation outlook are particularly acute" he expects that rate increases and the balance sheet reduction should help reduce inflation to around 4% this year and "closer to our 2% longer-run goal in 2024."

Volkswagon is planning to IPO Porsche in Q4 which could raise as much as USD100 billion with the funds being re-invested back into their electric car division.

Quiet close

For all of Friday's data, markets closed the week quietly. Equities were mildly positive, commodities were steady, the 10 year Treasury bond firmed to 2.38%, while the NZD and AUD closed on their key 0.6925 and 0.7500 levels.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Monday 4 April, 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.32					CAD	0.8663	0.9385
NZD/USD	0.6919	-0.0003	-0.0011	-0.0026	-0.0050	CHF	0.6409	0.6942
NZD/AUD	0.9233	-0.0007	-0.0029	-0.0066	-0.0120	CNY	4.4016	4.7697
NZD/JPY	84.85	-0.09	-0.36	-0.94	-2.45	DKK	4.6604	5.0497
NZD/EUR	0.6268	-0.0007	-0.0032	-0.0080	-0.0187	FJD	1.4564	1.5778
NZD/GBP	0.5279	0.0003	-0.0003	-0.0017	-0.0052	HKD	5.4218	5.8722
						KRW	843.95	914.26
AU TWI	63.60					MYR	2.9102	3.1556
AUD/USD	0.7496	0.0002	0.0012	0.0026	0.0044	NOK	6.0518	6.5562
AUD/NZD	1.0833	0.0008	0.0034	0.0079	0.0143	SEK	6.4859	7.0264
AUD/JPY	91.92	-0.02	-0.09	-0.37	-1.48	SGD	0.9391	1.0171
AUD/EUR	0.6790	-0.0004	-0.0014	-0.0039	-0.0116	TWD	19.87	21.52
AUD/GBP	0.5714	0.0012	0.0020	0.0027	0.0024	ZAR	10.15	10.99
USD Index	98.63					EQUITIES		
EUR/USD	1.1036	0.0010	0.0041	0.0103	0.0258		Index	
USD/JPY	122.64	-0.07	-0.32	-0.92	-2.68	NZX50	12,089	
GBP/USD	1.3097	-0.0003	-0.0003	0.0004	0.0043	ASX200	7,494	
EUR/GBP	0.8414	0.0009	0.0033	0.0076	0.0169	Dow Jones	34,818	
						S&P 500	4,546	
						FTSE100	7,538	
						DAX 30	14,446	
						Nikkei	27,666	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Mid		Mid			USD	
30 day bank bills		1.23%		0.01%		Brent Crude	104.39	
90 day bank bills		1.53%		0.23%		Gold	1,925.14	
1 year swap		2.76%		1.25%		Silver	24.63	
2 year swap		3.29%		2.25%		Iron Ore	154.00	
3 year swap		3.38%		2.65%		CRB Index	311.90	
5 year swap		3.39%		2.99%			NZD	
10 year swap		3.38%		3.11%		NZ Carbon	76.00	
3 year Govt bond		3.01%		2.38%				
5 year Govt bond		3.12%		2.63%				
10 year Govt bond		3.27%		2.82%				

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED