

# Market Alert

Tuesday 21 February 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6253	0.0002
NZD/AUD	0.9045	-0.0054
NZD/JPY	83.91	-2.20
NZD/EUR	0.5851	-0.0056
NZD/GBP	0.5195	-0.0022
NZD/CNH	4.2890	-0.0485
AUD/USD	0.6911	0.0043
AUD/EUR	0.6467	-0.0025
EUR/USD	1.0682	0.0107
USD/CNH	6.8594	-0.0803
GBP/USD	1.2036	0.0049
EUR/GBP	0.8875	0.0048

  

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.35%
90 day bills	5.01%	3.52%
2 year swap	5.11%	4.11%
10 year Govt	4.40%	3.91%

## Vacation trading

As far as data goes, it was a relatively quiet day with US markets on holiday for Presidents Day as Biden spent the day meeting Ukraine President Zelensky with intentions to reaffirm America's "unwavering commitment to Ukraine's democracy, sovereignty, and territorial integrity", according to a White House statement.

As unsurprising as it may be, Russia's economy contracted -2.1% in 2022, primarily as a result of the war and subsequent sanctions from Western States. However, it is still a much smaller contraction than some estimates made soon after the Ukraine conflict began almost a year ago. Wholesale and retail trade were the hardest hit by sanctions, down 12.7%.

Goldman Sachs and Bank of America have both said that they expect the Fed to raise interest rates three more times this year, lifting their estimates after data pointed to persistent inflation and a resilient labour market. With Goldman adding, "In light of the stronger growth and firmer inflation news, we are adding a 25bp (basis points) rate hike in June to our Fed forecast, for a peak funds rate of 5.25%-5.50%," while markets are currently pricing a terminal rate of 5.30% by July. The prospect of a prolonged US hiking cycle is again adding support to the USD, underpinning a lift in global interest rates and weighing on equities.

## RBNZ to take centre stage

While many central banks are holding true to their hiking cycles and tough inflation-fighting focus, the RBNZ is facing calls by some to pause as New Zealand navigates the harrowing effects of cyclone Gabrielle. However, Finance Minister Grant Robertson said on Monday that the "Reserve Bank of New Zealand (RBNZ) has a responsibility to address inflation" adding, the "RBNZ needs to look through current events." The RBNZ is set to meet on Wednesday for its policy decision, with most expecting a 50bp rate hike. Just as important will be the projected OCR path, with markets looking for a slight moderation in the hiking track outlined in November.

Euro area consumer confidence has hit a 12-month high, increasing by 1.7 points to -19 in February. Sentiment improved

on expectations that inflation has slowed as the energy crises eased thanks to mild weather and the possibility that the region would be able to avoid a recession this year.

As expected, The People's Bank of China left its key lending rates unchanged for the sixth consecutive month at its February fixing. The one-year loan prime rate, which is used for corporate and household loans, was kept unchanged at 3.65%, while the five-year rate, a reference for mortgages, was maintained at 4.30%.

Currency markets started the week with largely insignificant moves, with both the NZD/USD and AUD/USD regaining some ground after a few weak sessions while the NZD/AUD has eased to a four-month low. Both the S&P and Dow were down roughly 0.3% on Monday on concerns of a 'higher for longer' outlook for interest rates. WTI crude futures held below \$77 per barrel yesterday after losing roughly 4% last week, as rising US crude supplies and the prospect of further Federal Reserve policy tightening outweighed optimism over China's demand recovery.



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# Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.90					CAD	0.8411	0.9297
NZD/USD	0.6253	0.0000	0.0002	0.0002	-0.0001	CHF	0.5773	0.6380
NZD/AUD	0.9045	-0.0008	-0.0026	-0.0054	-0.0095	CNY	4.2873	4.7375
NZD/JPY	83.91	-0.31	-1.04	-2.20	-4.54	DKK	4.3573	4.8159
NZD/EUR	0.5851	-0.0010	-0.0030	-0.0056	-0.0116	FJD	1.3538	1.4962
NZD/GBP	0.5195	-0.0003	-0.0009	-0.0022	-0.0048	HKD	4.8985	5.4139
						KRW	810.08	895.33
AU TWI	62.30					MYR	2.7688	3.0602
AUD/USD	0.6911	0.0007	0.0021	0.0043	0.0070	NOK	6.3989	7.0721
AUD/NZD	1.1051	0.0009	0.0031	0.0062	0.0106	SEK	6.4685	7.1492
AUD/JPY	92.76	-0.26	-0.89	-1.89	-4.11	SGD	0.8350	0.9228
AUD/EUR	0.6467	-0.0005	-0.0014	-0.0025	-0.0062	TWD	18.99	20.99
AUD/GBP	0.5741	0.0002	0.0007	0.0010	0.0004	ZAR	11.31	12.50
USD Index	103.88					<b>EQUITIES</b>		
EUR/USD	1.0682	0.0018	0.0053	0.0107	0.0204		<b>Index</b>	
USD/JPY	134.21	-0.51	-1.71	-3.55	-7.23	NZX50	11,896	
GBP/USD	1.2036	0.0006	0.0022	0.0049	0.0106	ASX200	7,352	
EUR/GBP	0.8875	0.0010	0.0026	0.0048	0.0080	Dow Jones	33,827	
						S&P 500	4,079	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	8,014	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,478	
30 day bank bills			4.74%		3.36%	Nikkei	27,532	
90 day bank bills			5.01%		3.52%	<b>COMMODITIES</b>		
1 year swap			5.33%		4.02%		<b>USD</b>	
2 year swap			5.11%		4.11%	Brent Crude	84.02	
3 year swap			4.82%		3.98%	Gold	1,840.67	
5 year swap			4.53%		3.93%	Silver	21.82	
10 year swap			4.44%		4.20%	Iron Ore	124.94	
3 year Govt bond			4.56%		3.58%	CRB Index	292.10	
5 year Govt bond			4.36%		3.64%		<b>NZD</b>	
10 year Govt bond			4.40%		3.91%	NZ Carbon	69.92	

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