

Market Alert

Wednesday 22 February 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6204	0.0001
NZD/AUD	0.9059	-0.0055
NZD/JPY	83.72	-2.23
NZD/EUR	0.5831	-0.0058
NZD/GBP	0.5126	-0.0021
NZD/CNH	4.2780	-0.0509
AUD/USD	0.6849	0.0042
AUD/EUR	0.6435	-0.0027
EUR/USD	1.0639	0.0107
USD/CNH	6.8946	-0.0835
GBP/USD	1.2102	0.0048
EUR/GBP	0.8790	0.0050

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.35%
90 day bills	5.03%	3.55%
2 year swap	5.19%	4.18%
10 year Govt	4.45%	3.92%

The Clash summed it up best ...

... when they sung, 'Should I stay or should I go,' and that is the question the Governor will be asking himself this morning. Personally, I believe he should pause until the water has cleared when we will have a better understanding of the damage and be in a better position to ascertain the long-term impacts of the recent weather-related events. But this is more of a fiscal concern so I suspect the Governor will still hike.

The RBA minutes highlighted that a pause in the hiking cycle wasn't considered at the February meeting as, "The Board considered a hike of 25bps or 50bps, a pause was not an option. (There were) arguments in favour of both options, but the board agreed the case for 25bps was stronger.

Households facing tighter budgets and falling real incomes argued for 25bps (while) upward surprises on inflation, wages argued for 50bps move. The data suggested more persistent inflation than expected. Monthly meetings allowed for frequent adjustments. The longer inflation stayed high, the greater the risk of price-wage spiral. The Board agreed further rate increases would likely be needed over the months ahead."

The overnight GDT auction reverted to trend falling -1.5% with SMP falling -2.4% while WMP eased -2.0%. the only positives were butter and cheddar which rose 3.8% and 1.5% respectfully.

Most of the data overnight was second tier, although there were a few PMI prints to keep it interesting after February Euro-zone composite PMIs rose to their highest level in 9-months at 52.3 from 50.3. The performance was driven by services, which had the strongest growth since June as, individually, France and Germany both moved into expansionary territory. Investor sentiment in Germany also improved for a 5th straight month as the ZEW report saw expectations rise to 28.1 from January's 16.9.

But it was a different story in Japan after February Jibun preliminary PMIs saw manufacturing fall at its fastest rate in 2.5-years to reach 48.9, its fourth consecutive contraction. Conversely, non-manufacturing PMIs reached an 8-month high at 53.6 which balanced out the composite print at 50.7.

UK composite PMIs expanded for the first time in 6-months reaching 53.0, which was better than the 49.0 forecast, with the services sector driving most of the gains at 53.3. Furthermore, the UK generated a budget surplus of almost GBP5.4 billion in January, against expectations of a GBP400m surplus, with KPMG suggesting the Treasury could have as much as GBP30 billion additional income in the March budget than previously expected.

So much for the good news!

Despite the various positive PMI prints, equities continue to plunge with heavy weight indices down between 1.0%-2.0% primarily driven by disappointing results from major retailers. Furthermore, Morgan Stanley announced US equities have now reached the 'death zone' as the equity risk premium, which is most expensive since 2007, is flashing a major warning sign suggesting the S&P will slide as much as 26% in H2 23. Against this broad based equity weakness, commodities were steady after Goldmans suggested they may return more than 30% over the next 12-months, while treasury yields surged with the 10-year US yield rallying 13bps higher to be at 3.95%. The USD continued to gain momentum, with the NZD/USD sitting on its overnight lows with the AUD/USD and EUR/USD trading in similar fashion.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Wednesday 22 February 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.00					CAD	0.8403	0.9276
NZD/USD	0.6204	0.0000	0.0001	0.0001	0.0006	CHF	0.5757	0.6357
NZD/AUD	0.9059	-0.0009	-0.0026	-0.0055	-0.0098	CNY	4.2868	4.7370
NZD/JPY	83.72	-0.31	-1.04	-2.23	-4.58	DKK	4.3401	4.7913
NZD/EUR	0.5831	-0.0010	-0.0029	-0.0058	-0.0115	FJD	1.3496	1.4899
NZD/GBP	0.5126	-0.0003	-0.0009	-0.0021	-0.0046	HKD	4.8671	5.3731
						KRW	811.07	895.39
AU TWI	62.40					MYR	2.7487	3.0344
AUD/USD	0.6849	0.0006	0.0021	0.0042	0.0070	NOK	6.3960	7.0610
AUD/NZD	1.1035	0.0010	0.0031	0.0062	0.0110	SEK	6.4345	7.1034
AUD/JPY	92.42	-0.26	-0.89	-1.92	-4.14	SGD	0.8315	0.9179
AUD/EUR	0.6435	-0.0005	-0.0014	-0.0027	-0.0059	TWD	18.95	20.92
AUD/GBP	0.5659	0.0002	0.0007	0.0011	0.0010	ZAR	11.35	12.53
USD Index	104.25					EQUITIES		
EUR/USD	1.0639	0.0018	0.0055	0.0107	0.0205		Index	
USD/JPY	134.94	-0.51	-1.71	-3.58	-7.36	NZX50	11,801	
GBP/USD	1.2102	0.0006	0.0022	0.0048	0.0100	ASX200	7,336	
EUR/GBP	0.8790	0.0010	0.0028	0.0050	0.0094	Dow Jones	33,185	
						S&P 500	4,004	
INTEREST RATES			New Zealand		Australia	FTSE100	7,978	
			Mid		Mid	DAX 30	15,398	
30 day bank bills			4.78%		3.37%	Nikkei	27,473	
90 day bank bills			5.03%		3.55%	COMMODITIES		
1 year swap			5.39%		4.15%		USD	
2 year swap			5.19%		4.18%	Brent Crude	83.26	
3 year swap			4.90%		4.06%	Gold	1,832.47	
5 year swap			4.58%		4.02%	Silver	21.83	
10 year swap			4.48%		4.21%	Iron Ore	124.94	
3 year Govt bond			4.65%		3.61%	CRB Index	292.10	
5 year Govt bond			4.44%		3.66%		NZD	
10 year Govt bond			4.45%		3.92%	NZ Carbon	69.00	

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