

Market Alert

Thursday 23 February 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6236	0.0000
NZD/AUD	0.9136	-0.0059
NZD/JPY	84.00	-2.25
NZD/EUR	0.5865	-0.0060
NZD/GBP	0.5162	-0.0021
NZD/CNH	4.3033	-0.0545
AUD/USD	0.6826	0.0042
AUD/EUR	0.6418	-0.0026
EUR/USD	1.0632	0.0106
USD/CNH	6.8999	-0.0870
GBP/USD	1.2080	0.0046
EUR/GBP	0.8802	0.0051

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.35%
90 day bills	5.10%	3.57%
2 year swap	5.28%	4.06%
10 year Govt	4.56%	3.97%

Adrian jumps from the high board ...

... stating the rate "hike is largely already priced into mortgage rates. I just checked the pricing and, if it was a dive, we would have scored a perfect 10 given there was no splash." Funny but I always pictured Adrian doing a bomb from the 10-meter platform rather than a synchronised dive!

To be fair, the script for hiking the 50bps to 4.75% at this meeting was probably written at Christmas, and nothing has changed the Committee's opinion since then, not even the cyclone, and as Mr. Orr stated, "the real discussion was 50bps or 75bps, not 25bps." But while "near-term price pressures will remain elevated, and

there is the potential for the post-cyclone rebuild to fan inflation," there was one subtle difference in that "there are early signs of price pressure easing," which has raised the possibility that 5.50% might actually be the peak.

The RBNZ's initial assessment of the cyclone is that it will place an additional strain on resources, particularly in food, used cars, construction, and maintenance materials, which will likely increase inflation by 0.3% in both Q1 and Q2 2023. The recovery will likely add about 1.0% to GDP in the coming years. Unfortunately, a period of economic contraction remains highly likely with an overall peak-to-trough decline in GDP assumed to be about 1.0% over 2023. Employment may also fall below its maximum sustainable level.

And this probably explains why we are in this position ... NZ January credit card spending surged 4.4% following December's -1.6% decline. On the year, card spending has surged an incredible 17.9%!

Off the back of a 50bps hike, I would have thought we'd see a stronger rally in swap pricing, but the market has taken refuge in the signal that pricing pressures are easing. This has seen swap rates open broadly unchanged from their pre-MPS levels, although the 7 and 10-year pricing is a couple of points lower. The NZD is 20-30pips higher on most of its crosses with its biggest move against the AUD, which is above 0.9100. This 'quiet' impact was reflected across most market

products with US bourses slightly higher following on from European weakness. Commodities are weaker across the board, although gas prices surged 8.5% as weather forecasters projected colder temperatures. The 10-year treasury eased 5bps to 3.90%.

But the RBA Governor will be happy ...

... after Q4 wage price inflation jumped 0.8%, which was below expectations and Q3's 1.0%. On the year, it remains relatively modest, by global standards, at 3.3%. Furthermore, Q4 construction work completed a huge miss at -0.4% when a jump of 1.5% had been expected.

The Feds latest rent-a-quote, St. Louis President James Bullard, announced, "I think we are going to have to get north of 5%. Right now, I'm still at 5.375%."

A survey of last month's rebound in US consumer spending highlighted those experiencing deteriorating finances still outnumbers those seeing an improvement, although excess household savings of USD1.2 trillion should support consumer spending for a further year even though the bottom 60% of households will suffer. 30-year fixed-rate mortgages in the US increased by 23bps to 6.62% last week, its highest level since mid-November, while German Ifo business sentiment increased to an 8-month high of 91.1 in February from January's 90.1.



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Daily Rates

Thursday 23 February 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.00					CAD	0.8432	0.9232
NZD/USD	0.6236	0.0000	0.0001	0.0000	0.0004	CHF	0.5793	0.6342
NZD/AUD	0.9136	-0.0009	-0.0028	-0.0059	-0.0110	CNY	4.2963	4.6952
NZD/JPY	84.00	-0.32	-1.10	-2.25	-4.61	DKK	4.3650	4.7779
NZD/EUR	0.5865	-0.0010	-0.0030	-0.0060	-0.0119	FJD	1.3562	1.4846
NZD/GBP	0.5162	-0.0003	-0.0009	-0.0021	-0.0049	HKD	4.8925	5.3553
						KRW	810.20	886.85
AU TWI	62.00					MYR	2.7682	3.0301
AUD/USD	0.6826	0.0007	0.0022	0.0042	0.0073	NOK	6.4332	7.0418
AUD/NZD	1.0941	0.0010	0.0032	0.0065	0.0117	SEK	6.4811	7.0943
AUD/JPY	91.94	-0.26	-0.92	-1.90	-4.05	SGD	0.8349	0.9139
AUD/EUR	0.6418	-0.0005	-0.0013	-0.0026	-0.0056	TWD	19.02	20.82
AUD/GBP	0.5650	0.0002	0.0007	0.0013	0.0014	ZAR	11.34	12.41
USD Index	104.28					EQUITIES		
EUR/USD	1.0632	0.0017	0.0055	0.0106	0.0204		Index	
USD/JPY	134.69	-0.51	-1.78	-3.60	-7.37	NZX50	11,794	
GBP/USD	1.2080	0.0006	0.0021	0.0046	0.0099	ASX200	7,315	
EUR/GBP	0.8802	0.0010	0.0028	0.0051	0.0096	Dow Jones	33,242	
						S&P 500	4,009	
INTEREST		New Zealand		Australia		FTSE100	7,931	
RATES		Mid		Mid		DAX 30	15,400	
30 day bank bills		4.79%		3.38%		Nikkei	27,104	
90 day bank bills		5.10%		3.57%		COMMODITIES		
1 year swap		5.48%		3.99%			USD	
2 year swap		5.28%		4.06%		Brent Crude	80.82	
3 year swap		5.01%		3.98%		Gold	1,833.09	
5 year swap		4.68%		3.95%		Silver	21.65	
10 year swap		4.58%		4.24%		Iron Ore	126.34	
3 year Govt bond		4.75%		3.62%		CRB Index	293.25	
5 year Govt bond		4.54%		3.69%			NZD	
10 year Govt bond		4.56%		3.97%		NZ Carbon	68.50	

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