

Market Alert

Tuesday 14 March 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6233	-0.0016
NZD/AUD	0.9338	-0.0079
NZD/JPY	83.17	-2.37
NZD/EUR	0.5805	-0.0074
NZD/GBP	0.5110	-0.0029
NZD/CNH	4.2692	-0.0635
AUD/USD	0.6673	0.0039
AUD/EUR	0.6214	-0.0029
EUR/USD	1.0735	0.0109
USD/CNH	6.8501	-0.0845
GBP/USD	1.2193	0.0030
EUR/GBP	0.8802	0.0062

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.60%
90 day bills	5.22%	3.69%
2 year swap	5.30%	3.52%
10 year Govt	4.45%	3.58%

Contagion contained!

No sooner had SVB and Signature Bank gone into receivership than the Fed put on their shiny cape and flew to the rescue, announcing an emergency lending facility and that all deposits are to be guaranteed. But it does raise the question, when is a bail out not a bail out? Well, according to a senior US Treasury official, “the Banks are not being bailed out, the depositors are being protected. The SVB equity and bondholders will be wiped out.”

The move was made after discussions between the Federal Reserve, US Treasury, the FDIC, and consultation with President Biden. The move can be viewed as a pre-imperative strike to “demonstrate the US commitment to take the necessary steps to ensure that

depositors’ savings remain safe.” To support the process, “the Fed will make available additional funding to eligible depository institutions, to help assure banks can meet depositors’ needs. To provide liquidity to US Depository institutions, each federal reserve bank would make advances to eligible borrowers, taking as collateral certain types of securities. The Treasury department, using the exchange stabilization fund, will provide USD \$25 billion as credit protection to the Federal Reserve banks in connection with bank term funding program.”

And the end lesson – being overexposed to the tech sector, it appears SVB ‘doubled down’ by not hedging any of the interest rate risk on its USD \$212 billion asset book, nor its USD \$173 billion deposit (or liability) book. All banks normally manage this interest rate risk, and are required to do so by regulators, so the question is, why didn’t SVB? I guess with yields lower at least the mark-to-market on SVB’s remaining USD \$116 billion securities portfolio won’t be as bad! Seriously though, if you are concerned about your existing hedging, speak to your Treasury Advisor ASAP!

Currently, Apollo Management, Morgan Stanley, JPMorgan, and PNC Financial Services are reportedly among potential suitors to acquire SVB, while HSBC acquired the British arm of SVB, allegedly for 1 pound, in a government-facilitated private sale to protect depositors.

Ultimately, whichever way this plays out, it will impact the FOMC’s decision next

week. At this stage, JP Morgan “continue to look for a 25bp hike” while Goldman Sachs is forecasting ‘nil poi’ to leave the Fed funds rate unchanged. The treasury market has taken the possibility of a rate hike completely off the table after the 2-year treasury yield collapsed -46bps overnight, following on from Fridays -26bps fall, while 10-years yields are also lower, off -18bps at 3.52%. This weakness has also filtered through to swap market pricing in NZ and Australia with absolute levels -15 to -25bps lower. The US-dollar index fell below the 104.0 mark, sliding for the third straight session to a three-week low, with the NZD the main beneficiary while AUD and EUR also posted significant gains. The NZD and AUD also had strong sessions on the crosses. Equities markets were also volatile as bank stocks were crushed while European bourses suffered but, late in the session, US exchanges moved into positive territory as speculation grew that the banking turmoil may force the Federal Reserve to pause its tightening cycle.

With US CPI tonight, PPIs and retail sales tomorrow, and the ECB on Friday, expect volatility to remain elevated!

Finally, NZ service PMIs increased to 55.8 from 54.7, while food prices rose 1.5% in February.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Tuesday 14 March 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.80					CAD	0.8551	0.9156
NZD/USD	0.6233	-0.0001	-0.0003	-0.0016	-0.0065	CHF	0.5678	0.6078
NZD/AUD	0.9338	-0.0012	-0.0036	-0.0079	-0.0159	CNY	4.2738	4.5811
NZD/JPY	83.17	-0.42	-1.19	-2.37	-4.76	DKK	4.3217	4.6268
NZD/EUR	0.5805	-0.0014	-0.0038	-0.0074	-0.0144	FJD	1.3636	1.4599
NZD/GBP	0.5110	-0.0005	-0.0013	-0.0029	-0.0062	HKD	4.8886	5.2337
						KRW	807.92	864.95
AU TWI	60.30					MYR	2.7999	2.9975
AUD/USD	0.6673	0.0008	0.0022	0.0039	0.0057	NOK	6.5736	7.0376
AUD/NZD	1.0703	0.0012	0.0039	0.0088	0.0178	SEK	6.6029	7.0690
AUD/JPY	89.05	-0.34	-0.94	-1.82	-3.67	SGD	0.8391	0.8983
AUD/EUR	0.6214	-0.0007	-0.0018	-0.0029	-0.0055	TWD	18.98	20.32
AUD/GBP	0.5471	0.0002	0.0005	0.0015	0.0025	ZAR	11.34	12.14
USD Index	103.55					EQUITIES		
EUR/USD	1.0735	0.0022	0.0064	0.0109	0.0186		Index	
USD/JPY	133.42	-0.67	-1.85	-3.47	-6.38	NZX50	11,673	
GBP/USD	1.2193	0.0009	0.0023	0.0030	0.0039	ASX200	7,109	
EUR/GBP	0.8802	0.0011	0.0033	0.0062	0.0111	Dow Jones	320,405	
						S&P 500	3,885	
INTEREST RATES			New Zealand		Australia	FTSE100	7,549	
			Mid		Mid	DAX 30	14,959	
30 day bank bills			4.97%		3.59%	Nikkei	27,833	
90 day bank bills			5.22%		3.69%	COMMODITIES		
1 year swap			5.55%		3.80%		USD	
2 year swap			5.30%		3.52%	Brent Crude	80.65	
3 year swap			4.98%		3.40%	Gold	1,911.16	
5 year swap			4.65%		3.66%	Silver	21.77	
10 year swap			4.46%		3.94%	Iron Ore	129.44	
3 year Govt bond			4.77%		3.23%	CRB Index	290.10	
5 year Govt bond			4.53%		3.27%		NZD	
10 year Govt bond			4.45%		3.58%	NZ Carbon	65.50	

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