

Market Alert

Thursday 16 March 2023

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6200 | -0.0014 |
| NZD/AUD | 0.9363 | -0.0080 |
| NZD/JPY | 82.75 | -2.35 |
| NZD/EUR | 0.5857 | -0.0073 |
| NZD/GBP | 0.5135 | -0.0028 |
| NZD/CNH | 4.2748 | -0.0575 |
| AUD/USD | 0.6621 | 0.0042 |
| AUD/EUR | 0.6253 | -0.0025 |
| EUR/USD | 1.0586 | 0.0107 |
| USD/CNH | 6.8951 | -0.0778 |
| GBP/USD | 1.2074 | 0.0032 |
| EUR/GBP | 0.8765 | 0.0058 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 4.75% | 3.60% |
| 90 day bills | 5.12% | 3.71% |
| 2 year swap | 5.21% | 3.45% |
| 10 year Govt | 4.52% | 3.53% |

Banking concerns switched to Europe ...

... after Credit Suisse's largest shareholder, the Saudi National Bank, reported they would not provide further financial assistance to the troubled bank after Credit Suisse admitted to finding "material weaknesses" in its reporting. Credit Suisse shares were immediately hit, falling -23% on the news, while credit swaps exploded as markets started to price in the possibility of a default. 'Systematic risk' immediately became the day's buzzword as banking stocks were pummelled, with the EuroStoxx banking index almost -9.0% lower as trading in Societe Générale and several Italian banks was halted. European exchanges were -2.2% to -3.5% lower, with the US bourses currently down -1.0% although

the Nasdaq is actually up on the day! The Swiss central bank, the SNB, is currently meeting to ascertain the best way to support the Swiss banking sector, with the latest rumour being the SNB could force UBS to acquire Credit Suisse.

Bond yields also plunged sharply, with the German 2-year bond yield down -48bps to 2.41% and the 10-year yield 29bps lower at 2.13%, while the US market have also been under pressure with the 2-year yield 27bps lower at 3.98% while the 10-years is at 3.47%, -22bps lower. Currencies have been less volatile, although they've still moved enough to turn a spot traders hair grey, with the NZD/USD ranging between 0.6172 - 0.6271 on the day, while the AUD/USD has ranged between 0.6590-0.6712. Currently they are trading near 0.6200 and 0.6620 respectively. Contagion also spread to the commodity markets, with oil -3-4% lower, while gold posted a modest 0.75% gain.

And according to those in the 'know' this banking crisis may worsen beyond the SVB collapse after BlackRock CEO Larry Fink announced, "It's too early to know how widespread the damage is. The regulatory response has so far been swift, and decisive actions have helped stave off contagion risks. But markets remain on edge. Are the dominoes starting to fall? It's too early to know how widespread the damage is."

Nomura Bank has reported that CTAs – which are basically trend-following hedge funds – have sold almost USD90bn

of equities, USD50bn of government 10-year bonds, and USD130bn of STIR – short term interest rates - but don't worry, they're still short!

Away for the market volatility, there was actually some data releases overnight, although they were largely ignored. But, for the record, US retail sales fell -0.4% in February although January sales were revised upwards to 3.2%, US PPIs fell -0.1%, Eurozone industrial production increased 0.7%, German wholesale prices gained 0.1%, and French February CPI printed at 6.3% on the year.

Like a shark circling ...

Goldmans bought SVB's bond portfolio before federal regulators took over. With a book value of USD23.97bn, Goldman's paid USD21.45bn. And in further rumours on SVB, the C-suite are to be investigated after rumours circulated they sold shares in the bank ahead of its collapse while sources have confirmed they did not have a chief risk officer from April to December last year!

With NZ plunging headfirst into a recession, our current account deficit widened by NZD9.46bn to a record NZD33.8bn in Q4 2022, which represents 8.9% of GDP. This saw S&P Global Ratings warn NZ's AAA rating could come under pressure as the current account deficit "is at an extremely high level at the moment. It is much wider than we were expecting it to be."



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Daily Rates

Thursday 16 March 2023

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|--------------|--------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 71.20 | | | | | CAD | 0.8525 | 0.9104 |
| NZD/USD | 0.6200 | 0.0000 | -0.0002 | -0.0014 | -0.0058 | CHF | 0.5760 | 0.6151 |
| NZD/AUD | 0.9363 | -0.0011 | -0.0036 | -0.0080 | -0.0180 | CNY | 4.2637 | 4.5600 |
| NZD/JPY | 82.75 | -0.40 | -1.22 | -2.35 | -4.87 | DKK | 4.3619 | 4.6571 |
| NZD/EUR | 0.5857 | -0.0012 | -0.0038 | -0.0073 | -0.0164 | FJD | 1.3625 | 1.4547 |
| NZD/GBP | 0.5135 | -0.0004 | -0.0014 | -0.0028 | -0.0073 | HKD | 4.8681 | 5.1978 |
| | | | | | | KRW | 814.53 | 869.69 |
| AU TWI | 60.60 | | | | | MYR | 2.7785 | 2.9667 |
| AUD/USD | 0.6621 | 0.0007 | 0.0023 | 0.0042 | 0.0056 | NOK | 6.6606 | 7.1116 |
| AUD/NZD | 1.0675 | 0.0011 | 0.0039 | 0.0090 | 0.0207 | SEK | 6.5615 | 7.0032 |
| AUD/JPY | 88.36 | -0.33 | -0.97 | -1.77 | -3.55 | SGD | 0.8375 | 0.8942 |
| AUD/EUR | 0.6253 | -0.0006 | -0.0018 | -0.0025 | -0.0047 | TWD | 18.97 | 20.26 |
| AUD/GBP | 0.5483 | 0.0002 | 0.0006 | 0.0017 | 0.0023 | ZAR | 11.41 | 12.18 |
| USD Index | 104.68 | | | | | EQUITIES | | |
| EUR/USD | 1.0586 | 0.0021 | 0.0064 | 0.0107 | 0.0174 | | Index | |
| USD/JPY | 133.42 | -0.65 | -1.93 | -3.50 | -6.30 | NZX50 | 11,617 | |
| GBP/USD | 1.2074 | 0.0008 | 0.0024 | 0.0032 | 0.0040 | ASX200 | 7,069 | |
| EUR/GBP | 0.8765 | 0.0011 | 0.0032 | 0.0058 | 0.0096 | Dow Jones | 31,834 | |
| | | | | | | S&P 500 | 3,885 | |
| INTEREST RATES | | | New Zealand | | Australia | FTSE100 | 7,344 | |
| | | | Mid | | Mid | DAX 30 | 14,735 | |
| 30 day bank bills | | | 4.97% | | 3.64% | Nikkei | 27,229 | |
| 90 day bank bills | | | 5.12% | | 3.71% | COMMODITIES | | |
| 1 year swap | | | 5.46% | | 3.51% | | USD | |
| 2 year swap | | | 5.21% | | 3.45% | Brent Crude | 74.27 | |
| 3 year swap | | | 4.91% | | 3.36% | Gold | 1,915.46 | |
| 5 year swap | | | 4.59% | | 3.42% | Silver | 21.68 | |
| 10 year swap | | | 4.44% | | 3.76% | Iron Ore | 130.04 | |
| 3 year Govt bond | | | 4.76% | | 3.13% | CRB Index | 285.96 | |
| 5 year Govt bond | | | 4.55% | | 3.20% | | NZD | |
| 10 year Govt bond | | | 4.52% | | 3.53% | NZ Carbon | 68.00 | |

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