

# Market Alert

Wednesday 29 March 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6246	-0.0007
NZD/AUD	0.9317	-0.0073
NZD/JPY	81.66	-2.23
NZD/EUR	0.5760	-0.0061
NZD/GBP	0.5062	-0.0019
NZD/CNH	4.2575	-0.0675
AUD/USD	0.6702	0.0044
AUD/EUR	0.6180	-0.0018
EUR/USD	1.0840	0.0102
USD/CNH	6.8833	-0.1002
GBP/USD	1.2335	0.0030
EUR/GBP	0.8787	0.0058

  

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.60%
90 day bills	5.21%	3.75%
2 year swap	4.84%	3.49%
10 year Govt	4.16%	3.39%

## It's another banking crisis perhaps

French prosecutors raided 5 banks as part of a probe into tax fraud and money laundering relating to dividend payments. The raids, on Société Générale, BNP Paribas, HSBC, Natixis, and BNP's Exane unit, relate to a dividend arbitrage strategy known as 'cum-cum' where shareholders transferred stock for a short period to investors abroad to avoid a dividend tax. Incredibly, the prosecutor has already announced the combined fines may total more than EUR1 billion.

Overnight US releases saw consumer confidence improving despite concerns about bank failures, rising to 104.2 from February's revised 103.4. Meanwhile, there was a modest bounce in manufacturing after the Richmond index

improved to -5.0 from -10.0. Conversely, the Dallas Fed's services index fell from -9.0 to -18.0 while the housing slowdown continues after prices fell for the 7th month dropping -0.2% in January although gaining 2.5% on the year.

Australian February retail sales firmed 0.2%, French business confidence fell amongst the riots and UK shop price inflation rose to 8.9% from February's 8.4% with the headline, "shop price inflation has yet to peak!"

Moody's announced China's shadow banking sector continues to shrink amid tight regulatory oversight.

## The 'rent a quote' section ...

Central bankers and regulators were out in force attempting to inspire confidence in the banking system and remind everyone that inflation is still an issue. Long story short – don't expect rate cuts anytime soon!

Fed Reserve Board Governor Philip Jefferson announced, "inflation has proved persistent, lowering it will take some time because there are components of inflation that have turned out to be quite persistent – for example, services. The Fed's actions in recent weeks has aimed to show depositors there is a willing lender. The recent rise in (lending via) the discount window lending is appropriate at the moment."

BoE Governor Andrew Bailey stated that further monetary tightening would be required if signs of persistent inflationary

pressure became evident. He also said there were "big strains" in the global banking sector adding that banks in Britain were resilient and able to support the economy.

BoJ Governor Kuroda, in one of his last acts, emphasised, "a sustainable inflation target has not yet been met. It's premature to debate exit from easy monetary policy, more time is needed to stably and sustainably hit the price target."

The Chair of the APRA, John Lonsdale, announced, "the regulatory requirements for Australian banks and many overseas jurisdictions give us confidence that the banking system here is among the best equipped in the world to handle a crisis" while the assistant Treasurer added, "our domestic funding markets continue to function well. Australia's banking system is resilient."

Goldman Sachs bumped their US economy recession prediction higher as, "in response to the recent banking turmoil, we have raised our 12-month US recession odds to 35.0% from 25.0%."

Marko Kolanovic, JPM's chief global markets strategist repeated, "our view remains that Q1 will likely mark the high point for equities this year."

Financial markets took the 'talkers' at their word selling equities and bonds. International bourses were flat to -1.0% lower, commodities were mixed, while the 10-yr treasury gained 2bps to consolidate at 3.55%. The USD-index eased, with the NZD and AUD gaining 0.75%.



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# Daily Rates

Wednesday 29 March 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.70					CAD	0.8496	0.9117
NZD/USD	0.6246	0.0000	-0.0001	-0.0007	-0.0024	CHF	0.5740	0.6162
NZD/AUD	0.9317	-0.0010	-0.0034	-0.0073	-0.0143	CNY	4.2935	4.6077
NZD/JPY	81.66	-0.35	-1.11	-2.23	-4.45	DKK	4.2904	4.6051
NZD/EUR	0.5760	-0.0010	-0.0032	-0.0061	-0.0119	FJD	1.3621	1.4620
NZD/GBP	0.5062	-0.0003	-0.0010	-0.0019	-0.0041	HKD	4.9030	5.2609
						KRW	810.45	869.90
AU TWI	60.20					MYR	2.7470	2.9475
AUD/USD	0.6702	0.0007	0.0023	0.0044	0.0069	NOK	6.4774	6.9502
AUD/NZD	1.0729	0.0011	0.0037	0.0080	0.0154	SEK	6.4661	6.9382
AUD/JPY	87.63	-0.28	-0.88	-1.73	-3.51	SGD	0.8288	0.8896
AUD/EUR	0.6180	-0.0004	-0.0013	-0.0018	-0.0036	TWD	18.95	20.34
AUD/GBP	0.5433	0.0002	0.0008	0.0021	0.0039	ZAR	11.35	12.18
USD Index	102.44					<b>EQUITIES</b>		
EUR/USD	1.0840	0.0018	0.0057	0.0102	0.0171		<b>Index</b>	
USD/JPY	130.78	-0.56	-1.75	-3.42	-6.59	NZX50	11,771	
GBP/USD	1.2335	0.0007	0.0020	0.0030	0.0036	ASX200	7,034	
EUR/GBP	0.8787	0.0009	0.0030	0.0058	0.0109	Dow Jones	32,362	
						S&P 500	3,961	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,484	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,142	
30 day bank bills			5.04%		3.68%	Nikkei	27,518	
90 day bank bills			5.21%		3.75%	<b>COMMODITIES</b>		
1 year swap			5.22%		3.54%		<b>USD</b>	
2 year swap			4.84%		3.49%	Brent Crude	78.71	
3 year swap			4.55%		3.45%	Gold	1,973.41	
5 year swap			4.26%		3.43%	Silver	23.32	
10 year swap			4.17%		3.78%	Iron Ore	126.01	
3 year Govt bond			4.31%		2.95%	CRB Index	287.82	
5 year Govt bond			4.13%		3.04%		<b>NZD</b>	
10 year Govt bond			4.16%		3.39%	NZ Carbon	60.50	

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