

Market Alert

Thursday 30 March 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6223	-0.0007
NZD/AUD	0.9315	-0.0070
NZD/JPY	82.55	-2.23
NZD/EUR	0.5739	-0.0060
NZD/GBP	0.5055	-0.0019
NZD/CNH	4.2575	-0.0641
AUD/USD	0.6679	0.0043
AUD/EUR	0.6161	-0.0019
EUR/USD	1.0840	0.0101
USD/CNH	6.8953	-0.0966
GBP/USD	1.2310	0.0029
EUR/GBP	0.8805	0.0059

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.60%
90 day bills	5.22%	3.75%
2 year swap	4.95%	3.47%
10 year Govt	4.22%	3.38%

Why can't we be Australia?

Sun, surf, low interest rates and no inflation! Well yes, they do have some inflation, but it increased a mere 0.2% in February, which lowered the 12-month rate down to a mere 6.8%. This likely cements in an unchanged call from the RBA next Tuesday. Mind you, if we joined Australia we would all have to speak with funny accents, and I'd really struggle with that!

It seems like half of the BoJ were presenting to the Japanese parliament yesterday. Governor Haruhiko Kuroda confirmed that, "The BoJ's large-scale easing has boosted the economy and prices," although Deputy Governor, Shinichi Uchida, let slip, "The BoJ would face unrealised losses of JPY50tln on its balance

sheet if the yield on 10-year JGBs rose to 2.0%." That is a loss of NZD608bn, which is a bit more than the NZ Treasury's NZD9bn loss, but at least they admit it's a loss unlike some!

In an effort to stimulate loan growth and to reflate the economy, the PBoC injected more than CNY850bn, or USD123bn, of liquidity into the financial system between the 21st-29th March. This included CNY352bn through open market operations with a further CNY500bn provided by lowering the Required Reserve Ratio (RRR).

Overnight was data lite, with the headline being the modest a jump in German GfK consumer confidence which increased for the 6th consecutive month to reach -29.5 ... yep, you're right, for all the positive's, it's still deeply negative. US pending home sales jumped 0.8% on the month while UK house purchase approvals increased to 43.5k from January's 39.6k.

ECB Chief Economist Philip Lane warned, "Under our baseline scenario, in order to make sure inflation comes down to 2%, more hikes will be needed. If the financial stresses turn out to be still fairly limited, interest rates will still need to go up," while colleague Peter Kazimir added, "We have to closely monitor the (banking) situation. We are ready to take any steps to secure price and financial stability."

BoC Deputy Governor Toni Gravelle gave a speech stating, "We continue to expect inflation to come down in the months ahead but will need to see further slowing in

core inflation to get inflation back down to 2%. The QT program likely to end sometime around the end of 2024 or the first half of 2025."

Equity markets decided that the recent banking crisis is now over and, with little in the way of data, equities took their lead from a strong session in the Chinese tech sector ... I know, if we're relying on the Chinese tech sector to boost risk assets, we're really in trouble ... but the facts don't lie with European and US bourses 0.75%-1.75% higher. Commodity markets were quiet, as were bond markets with the T-bond 1bps lower at 3.56%. In the FX markets, word on the street is that traders are looking to jam the USD-index from its current level of 102.35 to 103.50, which has contributed to both the NZD and AUD trading near their lows. It should also be noted that both NZD and AUD short positioning has substantial increased over the last week. The JPY also came under renewed selling pressure.

Last Friday's global rout of Deutsche Bank was triggered by a EUR5m CDS trade on its junior debt which wiped about EUR1.6bn off Deutsche Bank's market cap and more than EUR30bn off the European banking index.



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Daily Rates

Thursday 30 March 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.20					CAD	0.8445	0.9063
NZD/USD	0.6223	0.0000	-0.0001	-0.0007	-0.0030	CHF	0.5721	0.6138
NZD/AUD	0.9315	-0.0009	-0.0032	-0.0070	-0.0139	CNY	4.2889	4.6044
NZD/JPY	82.55	-0.34	-1.10	-2.23	-4.50	DKK	4.2764	4.5897
NZD/EUR	0.5739	-0.0009	-0.0031	-0.0060	-0.0118	FJD	1.3605	1.4602
NZD/GBP	0.5055	-0.0003	-0.0009	-0.0019	-0.0037	HKD	4.8849	5.2429
						KRW	813.10	872.68
AU TWI	60.30					MYR	2.7481	2.9494
AUD/USD	0.6679	0.0007	0.0022	0.0043	0.0070	NOK	6.4887	6.9641
AUD/NZD	1.0731	0.0010	0.0037	0.0079	0.0155	SEK	6.4789	6.9536
AUD/JPY	88.60	-0.27	-0.88	-1.76	-3.58	SGD	0.8273	0.8879
AUD/EUR	0.6161	-0.0004	-0.0013	-0.0019	-0.0036	TWD	18.97	20.36
AUD/GBP	0.5425	0.0002	0.0008	0.0020	0.0040	ZAR	11.27	12.09
USD Index	102.70					EQUITIES		
EUR/USD	1.0840	0.0017	0.0056	0.0101	0.0177		Index	
USD/JPY	132.67	-0.55	-1.76	-3.47	-6.65	NZX50	11,737	
GBP/USD	1.2310	0.0007	0.0020	0.0029	0.0037	ASX200	7,050	
EUR/GBP	0.8805	0.0009	0.0030	0.0059	0.0113	Dow Jones	32,633	
						S&P 500	4,013	
INTEREST RATES			New Zealand		Australia	FTSE100	7,564	
			Mid		Mid	DAX 30	15,329	
30 day bank bills			5.06%		3.68%	Nikkei	27,884	
90 day bank bills			5.22%		3.75%	COMMODITIES		
1 year swap			5.29%		3.59%		USD	
2 year swap			4.95%		3.47%	Brent Crude	78.29	
3 year swap			4.63%		3.40%	Gold	1,967.66	
5 year swap			4.30%		3.40%	Silver	23.41	
10 year swap			4.20%		3.75%	Iron Ore	126.01	
3 year Govt bond			4.42%		2.94%	CRB Index	289.13	
5 year Govt bond			4.22%		3.03%		NZD	
10 year Govt bond			4.22%		3.38%	NZ Carbon	60.00	

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