

# Treasury Trends

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## Preparedness, not Prediction: Treasury's Advantage in Times of Crisis

For those who have been working in treasury or the wider financial markets for a number of years, the current conflict in the Middle East can feel like “*just another crisis.*” Markets react, volatility spikes, currencies swing, and commodity prices shift—particularly oil. For seasoned professionals, this pattern is familiar.

Yet within the corporate world, each new wave of uncertainty presents something more than a challenge: it offers an opportunity. Specifically, it gives treasury a platform to elevate its standing at the Board table, underlining the value that its natural, disciplined approach to risk assessment brings to decision-making.

### Understanding treasury

Treasury has long been misunderstood, even within organisations it serves. Too often, it is viewed as a technical, back-office function—focused on execution, compliance, and reporting. In times of calm, it can be overlooked. In times of stress, it is suddenly thrust into the spotlight, expected to react quickly to events already in motion.

But this reactive perception undersells treasury's true value. In reality, treasury is uniquely positioned to act as a forward-looking, integrative function that connects financial risk with strategic decision-making across the business.

It is important to be clear about what treasury is not. Treasury is not about predicting or forecasting foreign exchange rates or interest rate movements with precision. Nor is it about attempting to call the direction of oil prices over the next two, four, or six weeks. Those are inherently uncertain exercises, even for market specialists.

Treasury's strength lies in understanding the risk framework within which an organisation operates—and ensuring that decisions are made with that framework firmly in mind.

At its core, treasury is about preparedness, not prediction.

### Scenario testing – across a business

In a volatile environment, this distinction becomes critical. The organisations that navigate uncertainty most effectively are not those that guess correctly about the future, but those that have rigorously assessed a range of possible outcomes and prepared accordingly. This is where treasury's expertise in scenario analysis comes into play. By modelling different market conditions—ranging from moderate disruptions to severe shocks—treasury

### Key Points

- Just another crisis
- Assess all risks, adopt business as a whole concept
- Consider indirect or flow-on impacts
- Scenario test and stress test policy
- Treasury management committee

can evaluate how each scenario would impact liquidity, cash flow, covenant compliance, and external reporting.

This process is not conducted in isolation. Effective scenario testing requires collaboration across the business. Treasury must engage with procurement teams to understand supplier terms and potential vulnerabilities in the supply chain. It must work with sales and commercial teams to assess customer exposures and payment behaviours. It must coordinate with finance and accounting to evaluate the implications for reporting and disclosures. And it must align with senior leadership to ensure that all analysis reflects the organisation's risk appetite and strategic priorities.

Through this cross-functional engagement, treasury becomes more than a risk manager—it becomes a connector. It brings together disparate strands of information and translates them into a coherent view of enterprise risk.

### Recognise indirect impacts

Consider, for example, the impact of a sustained increase in oil prices. The direct effects may be obvious for certain industries, but the indirect consequences can be far-reaching. Input costs may rise, margins may be squeezed, customer demand may shift, and working capital requirements may increase. Currency movements may compound or offset these effects, while interest rate changes could alter the cost of financing.

Treasury's role is to map these interdependencies, quantify their potential impact, and ensure that the organisation is not caught off guard. Not all the points below will be relevant to all organisations, the key is to check which ones might have an impact.

- *Supply chain disruptions:* conflict near key shipping routes (e.g., the Strait of Hormuz) can delay goods, increase freight costs, and create working capital strain due to longer inventory cycles.



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- **Counterparty risk increases:** businesses operating in or with partners in affected regions may face higher default risk, requiring tighter credit controls and provisioning.
- **Restricted access to banking channels:** sanctions or regional instability can limit access to local banking systems, affecting payments, liquidity movement, and cash repatriation.
- **Liquidity pressure:** unexpected cost increases or delayed receivables can create short-term liquidity gaps, forcing treasury teams to draw on credit lines or adjust investment strategies.
- **Commodity price volatility beyond oil:** broader market instability can affect prices of metals, grains, and other inputs, complicating procurement planning and hedging programmes.
- **Insurance and risk management costs rise:** trade credit insurance and shipping insurance premiums may increase, impacting treasury budgeting and risk mitigation planning.
- **Cybersecurity and fraud risk escalation:** geopolitical tensions often coincide with increased cyberattacks or payment fraud, requiring stronger treasury controls and monitoring of transactions.

## Robust policy

In this context, treasury’s credibility is built not on forecasting accuracy, but on the robustness of its frameworks. Does the organisation have clearly defined risk preferences? Are policies and limits aligned with those preferences? Are facilities sufficient and flexible enough to withstand stress scenarios? Are there early warning indicators in place? And critically, is there a culture of engagement where treasury is consulted as a matter of course, rather than as an afterthought?

The current environment reinforces the importance of these questions. Geopolitical tensions, inflationary pressures, and shifting monetary policies are combining to create a landscape where uncertainty is the norm rather than the exception. In such conditions, the organisations that succeed will be those that embed risk awareness into their decision-making processes—not as a constraint, but as an enabler of resilience and ability to adapt.

## Communication is always key

This is why treasury should not be the department you call only when things go wrong. By that stage, options are often limited and costly. Instead, treasury should be where conversations begin. It should be actively involved in strategic planning, capital allocation decisions, and operational discussions—helping to identify risks early and shape responses before they become urgent.

Treasury must be proactive in communicating its insights. They must be translated into clear, actionable messages that resonate with non-specialists. Boards and senior executives do not need to understand the intricacies of hedging instruments or derivative pricing. What they need is clarity on the organisation’s exposure, the range of possible outcomes, and the actions required to stay within acceptable risk boundaries.

## Treasury’s moment to lead

By stepping beyond traditional boundaries and engaging more deeply with a business, treasury can demonstrate value in tangible ways. It can help safeguard liquidity, protect margins, and support strategic initiatives. It can provide the analytical foundation for leadership teams to make informed decisions with confidence, even in uncertain times.

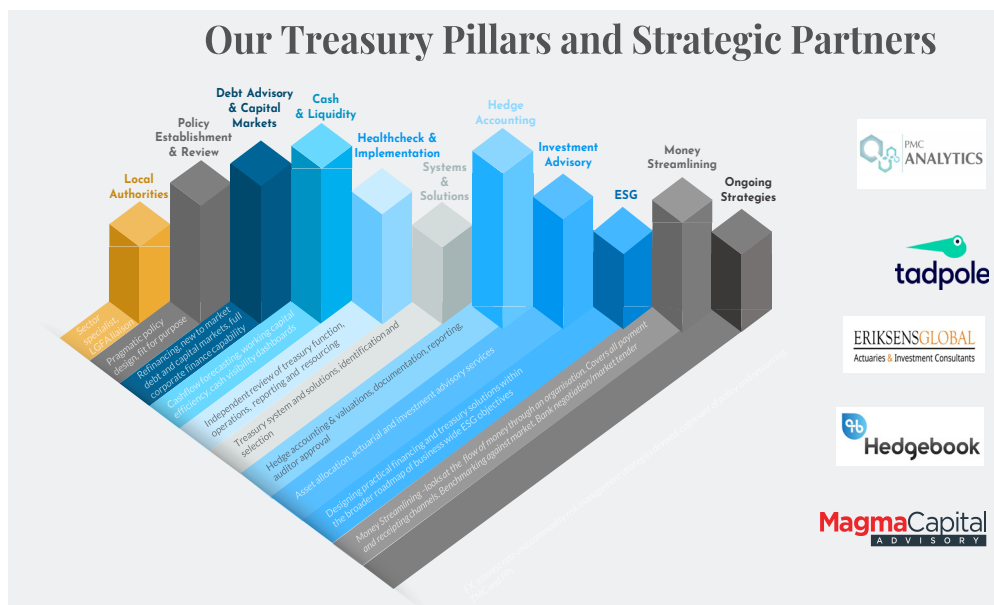
Ultimately, the goal is not to eliminate risk—that is neither possible nor desirable. The goal is to understand it, manage it, and ensure that it is aligned with each organisation’s own objectives and capacity. Treasury, with its structured approach and cross-functional perspective, is uniquely equipped to create the organisational resilience needed to withstand crises as they come and go.

## Confirm (or initiate) treasury meeting schedule

If the structure of having regular treasury meetings is not already in place, please speak to us as to how a monthly or quarterly strategy meeting format might be established – by whom, with whom – and with suggested agenda items.

Only with insight of a wider business will the true risk profile be identified which then allows treasury to manage.

## WHAT WE DO



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