

# Market Alert

Wednesday 26 January 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6688	-0.0028
NZD/AUD	0.9341	-0.0047
NZD/JPY	76.16	-0.55
NZD/EUR	0.5921	-0.0055
NZD/GBP	0.4952	-0.0016
NZD/CNH	4.2331	0.0264
AUD/USD	0.7160	0.0007
AUD/EUR	0.6338	-0.0027
EUR/USD	1.1297	0.0059
USD/CNH	6.3306	0.0658
GBP/USD	1.3506	-0.0013
EUR/GBP	0.8364	0.0052

  

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.08%	0.07%
2 year swap	2.41%	1.20%
10 year Govt	2.56%	1.95%

## Show me the moneeeeey, Fonterra!

As domestic price rise of milk, butter and cheese accelerates, Fonterra has raised its farm gate milk price by 50 cents to a range of NZD8.90 to NZD9.50 with a mid-price of NZD9.20 per kgMS adding circa NZD600m to farm income. Speaking of NZ, December's services PMI increased to 49.7 from November's 46.5 as the economy opened following last year's COVID-19 lockdowns.

There is one country that doesn't appear to be suffering the inflationary pressures that the rest of the world is suffering from – and

it's 'the land of plenty' – after Australian inflation headlined an increase of 1.3% on the quarter and 3.5% on the year, against expectations of 1.0% and 3.2%.

Rising fuel prices, global supply chain disruptions, material shortages, and increased demand ahead of Christmas all contributed to higher prices which saw the trim mean come in at 1% and 2.6% against forecasts 0.7% and 2.4%. Yes, everything was stronger than projected but those numbers are not going to fluster the RBA!

Meanwhile the NAB business confidence index in Australia tumbled to -12 in December from +12 in what the first negative reading since August and the lowest print since July 2020.

In the US, the S&P CoreLogic Case-Shiller 20 city home price index in the US rose 18.3%. Consumer confidence firmed to 113.8 against the 111.8 expected. The Richmond Fed manufacturing index fell to 8 from 14 in January while capacity utilisation also decreased to 4 from last month's 21. In Germany, the IFO business climate indicator rose to 95.7 as it bounced from its 10-month low of 94.8 in December. Deutsche Bank brought forward its projected date of the ECB's first 10bp hike to December 2022 from December 2023

In China, the Ministry of Commerce (MofCom) updated their economic outlook. The outlook was pretty dour from a global perspective stating, "China is anticipating a difficult situation in its foreign trade

this year. The global economic recovery is under pressure, which will weigh on trade. Inflation, supply chain pressures, labour shortages are also negative factors. Supply chain issues are a challenge to exporters (although) we are confident that China's trade this year will be in a reasonable range."

The BoJ Governor, Haruhiko Kuroda, is promising to maintain their easy monetary policy in Japan as the "commodity price rise is a much bigger factor than the weak yen in pushing up Japan's consumer inflation. The BoJ will continue its easy monetary policy so economic recovery pushes up wages and leads to gradual rise in consumer inflation."

Finally, the IMF have downgraded their global growth forecasts by 0.5% to 4.4% in 2022, after 5.9% in 2021, with the US, EU, and UK all markedly lower citing the omicron variant, continued supply disruptions, and higher than expected inflation.

## To sum it all up ...

Once again, the Australasian opening saw the US bourses deeply in the red, although they appear to be slowly recovering. Interestingly, the European exchanges closed in positive territory while gold, oil and aluminium all popped higher.

Bond yields also staged a mini recovery with the T-bond bouncing to 1.785% although the NZD and EUR eased back towards yesterday's lows although the AUD found some support after yesterday's CPI release.



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# Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.64					CAD	0.8430	0.9025
NZD/USD	0.6688	-0.0003	-0.0011	-0.0028	-0.0073	CHF	0.6147	0.6581
NZD/AUD	0.9341	-0.0005	-0.0020	-0.0047	-0.0108	CNY	4.2306	4.5293
NZD/JPY	76.16	-0.05	-0.21	-0.55	-1.55	DKK	4.4057	4.7167
NZD/EUR	0.5921	-0.0007	-0.0023	-0.0055	-0.0141	FJD	1.4276	1.5284
NZD/GBP	0.4952	-0.0001	-0.0006	-0.0016	-0.0045	HKD	5.2057	5.5732
						KRW	801.60	858.20
AU TWI	59.90					MYR	2.7956	2.9929
AUD/USD	0.7160	0.0001	0.0003	0.0007	0.0004	NOK	5.9685	6.3899
AUD/NZD	1.0706	0.0006	0.0023	0.0054	0.0125	SEK	6.1875	6.6244
AUD/JPY	81.54	-0.01	-0.05	-0.17	-0.72	SGD	0.8990	0.9624
AUD/EUR	0.6338	-0.0003	-0.0011	-0.0027	-0.0079	TWD	18.51	19.82
AUD/GBP	0.5301	0.0001	0.0005	0.0010	0.0013	ZAR	10.2096	10.9305
USD Index	96.02					<b>EQUITIES</b>		
EUR/USD	1.1297	0.0007	0.0025	0.0059	0.0149		<b>Index</b>	
USD/JPY	113.89	-0.03	-0.12	-0.35	-1.08	NZX50	12,128	
GBP/USD	1.3506	-0.0002	-0.0006	-0.0013	-0.0024	ASX200	6,962	
EUR/GBP	0.8364	0.0007	0.0022	0.0052	0.0126	Dow Jones	34,326	
						S&P 500	4,357	
						FTSE100	7,371	
						DAX 30	15,124	
						Nikkei	27,131	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		<b>COMMODITIES</b>		
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>		<b>USD</b>	
30 day bank bills		0.87%	0.84%	0.02%	0.02%	Dubai Light	85.07	
90 day bank bills		1.11%	1.08%	0.09%	0.05%	Brent Crude	87.96	
FRA 90d in 3mths		1.70%	1.68%	0.40%	0.37%	Gold	1,851.00	
FRA 180d in 6mths		2.41%	2.38%	1.07%	1.05%	Silver	23.90	
1 year swap		1.92%	1.89%	0.60%	0.59%	CRB Index	261.09	
2 year swap		2.42%	2.40%	1.21%	1.19%		<b>NZD</b>	
3 year swap		2.64%	2.61%	1.57%	1.56%	NZ Carbon	74.92	
5 year swap		2.76%	2.74%	1.87%	1.86%			
10 year swap		2.83%	2.81%	2.24%	2.22%			
10 year Govt bond			2.54%		1.95%			

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