

Market Alert

Thursday 10 February 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6690	-0.0025
NZD/AUD	0.9316	-0.0053
NZD/JPY	77.26	-0.61
NZD/EUR	0.5853	-0.0056
NZD/GBP	0.4943	-0.0011
NZD/CNH	4.2562	0.0248
AUD/USD	0.7181	0.0015
AUD/EUR	0.6282	-0.0025
EUR/USD	1.1431	0.0069
USD/CNH	6.3626	0.0606
GBP/USD	1.3535	-0.0020
EUR/GBP	0.8445	0.0064

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.18%	0.07%
2 year swap	2.46%	1.33%
10 year Govt	2.74%	2.11%

All of the chit-chat

There was very little in the way of data overnight, so it was left to a couple of Fed speakers to generate the headlines ...

Opening the batting was Cleveland Fed President, Loretta Mester, who was bullish in her assertions that there is a strong case to start reducing accommodation and that she is supportive of a March rate increase stating, "If inflation is not coming down by the middle of the year, then Fed will need to remove accommodation at a faster pace," although, she "does not see a compelling case to start with a 50 basis point increase."

Ms Mester believes "the long-term Fed funds rate is 2.5%. The Fed will need to get interest rates above neutral, but I don't see an immediate need to do that." She then moved on to discussing the Fed's balance sheet adding, "The Fed can move considerably faster to shrink its balance sheet than it has in the past. MBS sales would need to be carefully done to not disrupt the markets although the Fed would not necessarily sell mortgage-backed securities from the start: active sales will come later."

At the other end of the wicket was San Fran Fed President, Mary Daly, who is, "in favour of raising interest rates in March, as inflation could get worse before it gets better" although she "doesn't expect to see 2% inflation by year-end so the Fed can't be overly aggressive on rate increases."

Third man in was Canadian Central Bank Governor, and the man with the coolest name ever, Tiff Macklem, who laid the foundations for the Canadian rate hiking cycle stating "Rising path in rates is not one increase, it's multiple increases. While our productivity growth has been disappointing, our actual GDP growth has been really quite good. Businesses are telling us it will take some time for supply chain challenges to normalise."

Germany, the world's largest exporter of high value products, saw their trade surplus decline to EUR7 billion in December from EUR15.1 billion 12 months earlier.

If you are an Australian skilled worker, it's time to ask for that pay rise you've been considering because skilled job vacancies have hit a 13 year high after the Internet Vacancy Index (IVI) showed an increase in vacancies of 4.4% in January, and 54% on pre-COVID-19 levels!

The South China Morning Post has reported the Chinese Communist Party is planning on escalating its call for the "orderly development of capital" which was followed by the regulators announcing, once again, they will take action to ensure the stability of iron ore prices!

BoJ monetary policy board member, Toyooki Nakamura, announced the "Japanese economy is showing clear signs of improvement" although the central bank "will continue with its easy policy in order to hit its 2% inflation target"

To conclude

With the successful 10-year Treasury action overnight, US bonds yields eased which saw the 10-year yield ease back to 1.92% which saw the bund fall back to 0.21%. The stalling of the recent bout of bond selling saw equity markets recover some of their shine with international markets broadly up 1.0% which help underpin the NZD and the AUD.



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Daily Rates

Thursday 10 February 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.70					CAD	0.8477	0.9099
NZD/USD	0.6690	-0.0003	-0.0011	-0.0025	-0.0061	CHF	0.6180	0.6633
NZD/AUD	0.9316	-0.0005	-0.0022	-0.0053	-0.0115	CNY	4.2564	4.5689
NZD/JPY	77.26	-0.05	-0.24	-0.61	-1.66	DKK	4.3556	4.6754
NZD/EUR	0.5853	-0.0006	-0.0023	-0.0056	-0.0139	FJD	1.4209	1.5252
NZD/GBP	0.4943	-0.0001	-0.0005	-0.0011	-0.0031	HKD	5.2124	5.5951
						KRW	800.32	859.09
AU TWI	60.40					MYR	2.7874	2.9921
AUD/USD	0.7181	0.0001	0.0005	0.0015	0.0023	NOK	5.8955	6.3283
AUD/NZD	1.0734	0.0006	0.0026	0.0062	0.0134	SEK	6.0906	6.5378
AUD/JPY	82.93	-0.01	-0.06	-0.18	-0.78	SGD	0.8976	0.9635
AUD/EUR	0.6282	-0.0003	-0.0010	-0.0025	-0.0072	TWD	18.58	19.95
AUD/GBP	0.5306	0.0002	0.0007	0.0019	0.0032	ZAR	10.1715	10.9183
USD Index	95.52					EQUITIES		
EUR/USD	1.1431	0.0006	0.0027	0.0069	0.0171		Index	
USD/JPY	115.49	-0.03	-0.17	-0.49	-1.45	NZX50	12,434	
GBP/USD	1.3535	-0.0003	-0.0009	-0.0020	-0.0039	ASX200	7,268	
EUR/GBP	0.8445	0.0007	0.0025	0.0064	0.0151	Dow Jones	35,745	
						S&P 500	4,578	
						FTSE100	7,643	
						DAX 30	15,482	
						Nikkei	27,580	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.99%	0.96%	0.02%	0.02%	Dubai Light	90.51	
90 day bank bills		1.21%	1.18%	0.09%	0.05%	Brent Crude	91.23	
FRA 90d in 3mths		1.83%	1.80%	0.35%	0.32%	Gold	1,834.46	
FRA 180d in 6mths		2.52%	2.49%	1.08%	1.07%	Silver	23.31	
1 year swap		2.02%	1.99%	0.61%	0.60%	CRB Index	275.90	
2 year swap		2.47%	2.45%	1.34%	1.31%		NZD	
3 year swap		2.68%	2.66%	1.74%	1.72%	NZ Carbon	81.00	
5 year swap		2.86%	2.84%	2.05%	2.04%			
10 year swap		2.97%	2.95%	2.37%	2.35%			
10 year Govt bond			2.72%		2.11%			

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