

Market Alert

Monday 14 February 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6649	-0.0023
NZD/AUD	0.9307	-0.0056
NZD/JPY	76.66	-0.63
NZD/EUR	0.5858	-0.0059
NZD/GBP	0.4905	-0.0009
NZD/CNH	4.2316	0.0258
AUD/USD	0.7144	0.0018
AUD/EUR	0.6297	-0.0026
EUR/USD	1.1345	0.0077
USD/CNH	6.3655	0.0607
GBP/USD	1.3550	-0.0021
EUR/GBP	0.8373	0.0070

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.21%	0.09%
2 year swap	2.55%	1.48%
10 year Govt	2.82%	2.21%

The weekend's gossip ...

... started with San Francisco Fed President, Mary Daly, who is becoming quite the celebrity after appearing on TV's 'Face the Nation' stating, "Inflation is too high. The Fed is actively focused on inflation and is ready to raise rates in March. It is obvious we need to pull some of the accommodation out of the economy. Financial markets have priced in both rate increases and the bond taper. A balanced approach to rate hikes is key, and March as appropriate time for an increase" but, for all of the chit-chat, there was the warning, "If we reacted strongly to inflation in the short term, we would probably cause economic growth to stop."

We also had a couple of ECB Governing Council members giving interviews over the weekend with Olli Rehn stating, "It's better to look beyond short-term inflation and look at what inflation is in 2023, 2024" when it could be "close to the 2% target." He then added that he thinks wage growth in the euro area remains subdued and inflation is unlikely to remain permanently high unless spurred by labour costs.

We also had Ignazio Visco, Italy's central bank chief, add, "The monetary policy stance remains expansionary, though the gradual normalisation will continue at a pace consistent with the economic recovery and changes in the outlook for prices."

In terms of actual data, the University of Michigan consumer sentiment plummeted to 61.7 in February for the index's lowest print since October of 2011, which was well below market forecasts of 67.5. In detail, the 1 year inflation expectation was in line with forecasts at 5.0%. Meanwhile, UK Q4 GDP expanded at 1.0% on the quarter and 6.5% on the year. The quarterly print was the same as in Q3 and slightly below forecasts of 1.1%.

Interestingly, for all of the news, commentaries, and political magnifications, the economists at Goldman Sachs have jumped on the BOAM bandwagon and are now forecasting 7 Federal Reserve rate hikes this year, but, what about the possibility of quantitative tightening, I hear you all say. Well, it hasn't gone away and a report from the BOE has let slip the central bank won't consider active

sales of bond holdings until the cash rate hits 1.00%. It also reported that the BOE is said to begin talks with the DMO and Treasury on the possibility of selling bonds.

Morgan Stanley has taken an opposing view to that of the local banks on the NZD, adopting a bearish outlook, saying the 23rd Feb rate hike is already priced in, "While the RBNZ may strike a hawkish tone at its upcoming meeting on 23 February, we think this is already in the price, and thus risk/reward suggests a bias towards it underwhelming market expectations."

Red warning

In summary, across the board equities were down between 1-3% with the Dow and S&P down 1.4% and 2% respectively. As a result of the equity sell off, the NZD/USD will start the week lower at 0.664, although, against the AUD the kiwi strengthened slightly to 0.932. Government yields are also down with the T-bond at 1.94% while commodities firmed with oil prices 2.0%-3.0% higher.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Monday 14 February 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.49					CAD	0.8467	0.9098
NZD/USD	0.6649	-0.0003	-0.0010	-0.0023	-0.0054	CHF	0.6157	0.6615
NZD/AUD	0.9307	-0.0005	-0.0024	-0.0056	-0.0116	CNY	4.2220	4.5366
NZD/JPY	76.66	-0.06	-0.25	-0.63	-1.73	DKK	4.3599	4.6848
NZD/EUR	0.5858	-0.0006	-0.0025	-0.0059	-0.0144	FJD	1.4186	1.5243
NZD/GBP	0.4905	-0.0001	-0.0005	-0.0009	-0.0027	HKD	5.1863	5.5727
						KRW	796.37	855.71
AU TWI	60.10					MYR	2.7874	2.9951
AUD/USD	0.7144	0.0001	0.0007	0.0018	0.0031	NOK	5.8895	6.3283
AUD/NZD	1.0745	0.0006	0.0028	0.0065	0.0136	SEK	6.1987	6.6606
AUD/JPY	82.38	-0.01	-0.06	-0.19	-0.84	SGD	0.8953	0.9620
AUD/EUR	0.6297	-0.0003	-0.0011	-0.0026	-0.0077	TWD	18.51	19.89
AUD/GBP	0.5273	0.0001	0.0009	0.0022	0.0038	ZAR	10.1205	10.8747
USD Index	96.08					EQUITIES		
EUR/USD	1.1345	0.0007	0.0031	0.0077	0.0190		Index	
USD/JPY	115.32	-0.03	-0.20	-0.56	-1.67	NZX50	12,174	
GBP/USD	1.3550	-0.0002	-0.0009	-0.0021	-0.0038	ASX200	7,217	
EUR/GBP	0.8373	0.0006	0.0028	0.0070	0.0164	Dow Jones	34,738	
						S&P 500	4,419	
						FTSE100	7,661	
						DAX 30	15,425	
						Nikkei	27,696	
						COMMODITIES		
							USD	
						Dubai Light	91.73	
						Brent Crude	94.44	
						Gold	1,858.17	
						Silver	23.54	
						CRB Index	279.72	
							NZD	
						NZ Carbon	82.90	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.02%	0.99%	0.01%	0.03%
90 day bank bills	1.23%	1.21%	0.11%	0.07%
FRA 90d in 3mths	1.94%	1.91%	0.43%	0.40%
FRA 180d in 6mths	2.58%	2.55%	1.23%	1.21%
1 year swap	2.13%	2.10%	0.71%	0.70%
2 year swap	2.57%	2.54%	1.49%	1.47%
3 year swap	2.76%	2.74%	1.89%	1.88%
5 year swap	2.93%	2.90%	2.20%	2.19%
10 year swap	3.00%	2.97%	2.49%	2.47%
10 year Govt bond		2.80%		2.21%

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED