

Market Alert

Wednesday 16 February 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6635	-0.0023
NZD/AUD	0.9280	-0.0054
NZD/JPY	76.73	-0.63
NZD/EUR	0.5842	-0.0059
NZD/GBP	0.4903	-0.0009
NZD/CNH	4.2052	0.0247
AUD/USD	0.7150	0.0017
AUD/EUR	0.6296	-0.0027
EUR/USD	1.1356	0.0076
USD/CNH	6.3374	0.0591
GBP/USD	1.3532	-0.0022
EUR/GBP	0.8392	0.0070

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.22%	0.08%
2 year swap	2.56%	1.52%
10 year Govt	2.83%	2.19%

White gold!

Last night's GDT auction saw dairy prices continue their surge with the index posting its 11 gains out of the last 12 auctions as the overall index gained another 4.2%! Standout performers were skim milk powder, which gained 6.0%, butter increased 5.1%, and WMP added 4.2%.

New Zealand also saw net migration hit negative levels for the first time since 2012, which could be a sign of things to come.

The Reserve Bank of Australia ("RBA") minutes highlighted, "The Board is prepared

to be patient as it monitors how the various factors affecting inflation in Australia evolve. The economic outlook was being supported by household and business balance sheets, and while inflation had picked up, members agreed it was too early to conclude that it was sustainably within the target band. Members observed that inflation had picked up more quickly than the bank had expected, although some moderation in inflation was expected as supply problems were resolved." Leading to one of the local banks fast track their RBA rate hike from August to June Q1 as core inflation "will be a lot stronger than the RBA's forecast."

Overnight, US January producer prices rose 1.0% on the month, doubling markets forecast projection, and a staggering 9.7% on the year. The core was also stronger at 0.8%, vs the 0.5% expected, and at 6.9% on the year. Simply put, there are plenty of inflationary pressures in the US pipeline! The New York Empire State Manufacturing index also disappointed 'only' adding 3.1 in February following January's -0.7.

Eurozone posted its largest trade deficit in 9 years of EUR4.6 billion in December amid rising energy prices and a weaker Euro. Meanwhile the German ZEW indicator of economic sentiment increased by 2.6 points to 54.3 in February although it missed expectations of 55. ECB member, Francois Villeroy, was also on the news-wires, stating, "A decision on rate hikes is not needed before the June meeting. We will

retain our full optionality about the pace of normalization. Another way to enhance optionality could be to remove the word 'shortly' from the forward guidance on asset purchases. Optionality would mean that (a rates) lift-off could possibly take more time if warranted. APP purchases could end in Q3."

The preliminary Japanese Q4 GDP print hit 1.3% against a projected 1.4%, which generated an annualised 5.4% vs the 5.8% expected. Interestingly, private consumption increased 2.7% on the quarter although the GDP deflator, which is an inflation indicator, decreased 1.3% on the year.

The BoJ Governor, Haruhiko Kuroda, gave a speech to the Japanese parliament stating, "Japan's economic and price conditions warrants keeping monetary policy loose. The BoJ offer to buy an unlimited amount of JGBs to defend the rate target is a powerful (tool). Our baseline forecast is for prices to gradually pick up as rising real household income underpins consumption."

With the war not having started ...

... equity markets bounced back after 3 days of weakness. Renewed selling of bonds and the USD, saw the 10 year treasury yield bounce to 2.03% and the NZD and AUD post modest gains. Also, a fresh round of commodity selling with the energy sector hit particularly hard.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Wednesday 16 February 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.16					CAD	0.8453	0.9109
NZD/USD	0.6635	-0.0003	-0.0010	-0.0023	-0.0054	CHF	0.6142	0.6618
NZD/AUD	0.9280	-0.0006	-0.0023	-0.0054	-0.0111	CNY	4.2065	4.5331
NZD/JPY	76.73	-0.06	-0.25	-0.63	-1.72	DKK	4.3491	4.6868
NZD/EUR	0.5842	-0.0006	-0.0024	-0.0059	-0.0142	FJD	1.4185	1.5286
NZD/GBP	0.4903	-0.0001	-0.0004	-0.0009	-0.0024	HKD	5.1765	5.5784
						KRW	796.12	857.94
AU TWI	60.10					MYR	2.7804	2.9962
AUD/USD	0.7150	0.0001	0.0007	0.0017	0.0028	NOK	5.9072	6.3659
AUD/NZD	1.0776	0.0007	0.0027	0.0063	0.0130	SEK	6.1608	6.6392
AUD/JPY	82.68	-0.01	-0.06	-0.20	-0.88	SGD	0.8923	0.9616
AUD/EUR	0.6296	-0.0003	-0.0010	-0.0027	-0.0079	TWD	18.48	19.91
AUD/GBP	0.5284	0.0002	0.0008	0.0021	0.0037	ZAR	10.0345	10.8136
USD Index	96.01					EQUITIES		
EUR/USD	1.1356	0.0006	0.0030	0.0076	0.0189		Index	
USD/JPY	115.65	-0.03	-0.20	-0.56	-1.67	NZX50	11,938	
GBP/USD	1.3532	-0.0003	-0.0009	-0.0022	-0.0043	ASX200	7,207	
EUR/GBP	0.8392	0.0006	0.0027	0.0070	0.0167	Dow Jones	34,978	
						S&P 500	4,464	
						FTSE100	7,609	
						DAX 30	15,413	
						Nikkei	26,865	
						COMMODITIES		
							USD	
						Dubai Light	92.29	
						Brent Crude	93.15	
						Gold	1,854.28	
						Silver	23.37	
						CRB Index	282.22	
							NZD	
						NZ Carbon	86.25	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.04%	1.01%	0.02%	0.02%
90 day bank bills	1.25%	1.22%	0.10%	0.06%
FRA 90d in 3mths	1.90%	1.87%	0.46%	0.43%
FRA 180d in 6mths	2.61%	2.58%	1.28%	1.27%
1 year swap	2.13%	2.11%	0.74%	0.74%
2 year swap	2.57%	2.55%	1.53%	1.51%
3 year swap	2.77%	2.75%	1.95%	1.94%
5 year swap	2.92%	2.89%	2.26%	2.25%
10 year swap	2.99%	2.97%	2.55%	2.53%
10 year Govt bond		2.81%		2.19%

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