

# Market Alert

Thursday 17 February 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6677	-0.0024
NZD/AUD	0.9292	-0.0056
NZD/JPY	77.14	-0.65
NZD/EUR	0.5867	-0.0060
NZD/GBP	0.4915	-0.0011
NZD/CNH	4.2288	0.0262
AUD/USD	0.7186	0.0018
AUD/EUR	0.6314	-0.0026
EUR/USD	1.1380	0.0076
USD/CNH	6.3339	0.0620
GBP/USD	1.3587	-0.0019
EUR/GBP	0.8376	0.0068

  

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.23%	0.08%
2 year swap	2.57%	1.51%
10 year Govt	2.84%	2.23%

## Every release has an inflationary element to it these days!

Last night saw a continuation of the 'inflationary pain-trade' after US retail sales jumped 3.8% in January surging past the expect 2.1% gain as sales rebounded from Decembers negative print. The January numbers exceeded market expectations for a 2.0% rise in what was the biggest increase in retail sales in 10 months.

Speaking of records, US inventories rose 2.1% on the month in what was the strongest increase in business inventories since available records began in 1992!

The nature of these releases brought Minneapolis Fed President, Neel Kashkari, to the 'speaker-podium' where he emphatically stated, *"The Fed will do what it can to bring inflation down"* although he then added, *"We can soften demand with rate hikes and tighten financial conditions, however these actions will not address supply-side issues. The Fed will do whatever it takes to restore balance, but while most forecasters see inflation falling, my guess is that we won't be back to Fed's 2.0% target, but are well on our way towards that."*

The data produced a similar story in the UK where annual inflation edged higher to 5.5% in January in what was the index's highest reading since March 1992 and a touch higher than December's 5.4%.

We also had ECB board member, Isabel Schnabel, announce she sees *"an argument for ending net asset purchases"* and that it was *"increasingly likely"* that inflation would stabilise around 2.0%.

We also had the Deputy BoC Governor, Timothy Lane, give his views on the Canadian outlook stating, *"The BoC is increasingly focused on countering upside risks from inflation. The BOC expects supply disruptions to ease and inflation to come down quickly in H2. Rates will need to be on a rising path."*

The Reuters Tankan poll highlighted a weakening in Japanese manufacturing, which fell to an 11 month low, while a

survey of consumer inflation expectations rose to 2.43% in February, in what was the highest level since the survey started in December 2014.

PBoC Governor, Yi Gang, gave a rare speech stating he *"expects economic growth to return to potential in 2022. China will keep accommodative monetary policy flexible. The PBoC will keep policy appropriate and supportive and will step up support for the weak links in the economy."* Within this context, inflation doesn't appear to be an issue after annualised January CPI reached 0.9% vs an expected 1.0% and PPI hit 9.1% on the year, which was slightly lower than the expected 9.5%. Simply put, surging prices at the wholesale level have not, so far, translated into much higher consumer level prices, and indeed these too have shown a slowing in the rate of increase from the previous month.

## Which isn't good for equities

In amongst all the underlying inflationary concerns from last night's data releases, the comforting words of the various central bank members did little to ease the markets concerns. Equity markets are once again trading in negative territory, while commodities continued their trend higher with natural gas the standout rallying 7.6%. We also saw bond yields grind higher, with the T-bond hitting 2.06%, while the USD reverted to its negative bias which saw the NZD and AUD firm.



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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	71.46					CAD	0.8471	0.9116
NZD/USD	0.6677	-0.0004	-0.0011	-0.0024	-0.0055	CHF	0.6156	0.6625
NZD/AUD	0.9292	-0.0006	-0.0024	-0.0056	-0.0115	CNY	4.2310	4.5536
NZD/JPY	77.14	-0.06	-0.26	-0.65	-1.74	DKK	4.3649	4.6977
NZD/EUR	0.5867	-0.0007	-0.0025	-0.0060	-0.0145	FJD	1.4205	1.5288
NZD/GBP	0.4915	-0.0002	-0.0005	-0.0011	-0.0029	HKD	5.2084	5.6055
						KRW	799.55	860.52
AU TWI	60.20					MYR	2.7861	2.9985
AUD/USD	0.7186	0.0001	0.0007	0.0018	0.0030	NOK	5.9268	6.3787
AUD/NZD	1.0763	0.0007	0.0028	0.0066	0.0135	SEK	6.1913	6.6633
AUD/JPY	83.02	-0.01	-0.06	-0.19	-0.86	SGD	0.8970	0.9653
AUD/EUR	0.6314	-0.0003	-0.0010	-0.0026	-0.0079	TWD	18.52	19.93
AUD/GBP	0.5289	0.0002	0.0008	0.0021	0.0035	ZAR	10.0278	10.7924
USD Index	95.80					<b>EQUITIES</b>		
EUR/USD	1.1380	0.0007	0.0030	0.0076	0.0192		<b>Index</b>	
USD/JPY	115.55	-0.03	-0.20	-0.56	-1.67	NZX50	12,122	
GBP/USD	1.3587	-0.0003	-0.0008	-0.0019	-0.0033	ASX200	7,285	
EUR/GBP	0.8376	0.0007	0.0027	0.0068	0.0162	Dow Jones	34,716	
						S&P 500	4,440	
						FTSE100	7,604	
						DAX 30	15,370	
						Nikkei	27,460	
<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		1.08%	1.05%	0.02%	0.02%	Dubai Light	92.44	
90 day bank bills		1.26%	1.23%	0.10%	0.06%	Brent Crude	95.14	
FRA 90d in 3mths		1.95%	1.92%	0.39%	0.36%	Gold	1,866.67	
FRA 180d in 6mths		2.63%	2.60%	1.18%	1.16%	Silver	23.51	
1 year swap		2.12%	2.10%	0.69%	0.69%	CRB Index	278.65	
2 year swap		2.58%	2.56%	1.52%	1.50%		<b>NZD</b>	
3 year swap		2.78%	2.76%	1.92%	1.91%	NZ Carbon	85.50	
5 year swap		2.93%	2.91%	2.22%	2.21%			
10 year swap		3.01%	2.99%	2.53%	2.51%			
10 year Govt bond			2.82%		2.23%			

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