

Market Alert

Friday 4 February 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6663	-0.0025
NZD/AUD	0.9331	-0.0053
NZD/JPY	76.56	-0.57
NZD/EUR	0.5824	-0.0055
NZD/GBP	0.4897	-0.0011
NZD/CNH	4.2338	0.0273
AUD/USD	0.7141	0.0014
AUD/EUR	0.6243	-0.0023
EUR/USD	1.1439	0.0065
USD/CNH	6.3554	0.0653
GBP/USD	1.3606	-0.0022
EUR/GBP	0.8408	0.0061

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.14%	0.07%
2 year swap	2.43%	1.20%
10 year Govt	2.52%	1.87%

The Central Banks are starting to make their moves

The ECB maintained its key interest rates at record low levels, although there were some subtle changes that have at least partially opened the door for a rate hike later in the year!

With the monetary policy statement a near carbon copy of December's, ECB President, Christine Lagarde's comments at the Q&A session captured most of the attention from market participants. She declined to rule out an interest rate rise this year, saying the inflationary risks are "tilted to the upside, particularly [but not only] in the near-term" while the ECB no longer

expects inflation "to decline in the course of [this] year." The bank also confirmed that the PEPP programme will expire in March, and monthly net purchases under the APP programme will reduce from EUR40 billion in Q2, to EUR30 billion in Q3 and to EUR20 billion from October onwards. The central bank also expects net purchases to end shortly before it starts raising their key ECB interest rate.

The BoE was also busy overnight after it raised its benchmark interest rate 0.25% to 0.50% in its first back-to-back increase since 2004, yet four dissenters would have preferred a bigger move to 0.75%! The Committee also voted to begin to reduce its stock of government bonds by ceasing to reinvest maturing assets with the BoE Governor, Andrew Bailey, adding "we will have to feel our way when it comes to selling gilts". The central bank also expects inflation to increase towards the 6.0% level in February and March, peaking at around 7.25% in April, before starting to ease back to the 2.0% level in 2 years' time, to which the BoE Governor added "it's more likely than not that rate will rise again, even if growth starts to weaken."

It wasn't any quieter in the US either after Facebook announced its user numbers had faltered last quarter in what was the first stagnation in the company's history. This saw the share price of its holding company, Meta Platforms, collapsed as much as 26%, or approximately USD200 billion, during the after-hours session. Meanwhile, US initial claims fell by 23k to

238k as the demand for labour remained strong, although ISM Services PMIs fell to 59.9 in January from 62.3 in December.

The Australian December trade balance remained strong at an AUD8.4 billion surplus as exports jumped 1.0% on the month although imports surged 5.0%. And while this may be a concern, large falls in the near-term are unlikely given commodity prices remain strong. Australia building permits also surged 8.2% in December, when -1.0% contraction had been expected.

In New Zealand the commodity price index for January jumped 1.0% in USD terms taking the index to a new record high driven by increases in dairy and aluminium prices. In local currency terms, the index jumped 1.9%.

Equity pains

Given the change in ECB rhetoric, the EUR was the main beneficiary surging back towards the 1.1450 level against the USD. The AUD and NZD also made modest gains. Treasury yields gapped higher, with the T-bond at 1.83%, and while commodity process where mixed, crude hit USD90 a barrel. Post the Meta news, equity markets across the globe are unsurprisingly down 1.0%-3.0%.



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Daily Rates

Friday 4 February 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.46					CAD	0.8439	0.9045
NZD/USD	0.6663	-0.0003	-0.0011	-0.0025	-0.0065	CHF	0.6126	0.6565
NZD/AUD	0.9331	-0.0005	-0.0022	-0.0053	-0.0117	CNY	4.2375	4.5416
NZD/JPY	76.56	-0.05	-0.22	-0.57	-1.60	DKK	4.3342	4.6452
NZD/EUR	0.5824	-0.0006	-0.0023	-0.0055	-0.0135	FJD	1.4156	1.5172
NZD/GBP	0.4897	-0.0001	-0.0005	-0.0011	-0.0034	HKD	5.1918	5.5643
						KRW	803.14	860.77
AU TWI	60.00					MYR	2.7770	2.9763
AUD/USD	0.7141	0.0001	0.0005	0.0014	0.0020	NOK	5.8132	6.2303
AUD/NZD	1.0718	0.0006	0.0025	0.0061	0.0136	SEK	6.0607	6.4956
AUD/JPY	82.06	-0.01	-0.04	-0.14	-0.69	SGD	0.8954	0.9596
AUD/EUR	0.6243	-0.0003	-0.0010	-0.0023	-0.0068	TWD	18.45	19.78
AUD/GBP	0.5249	0.0002	0.0007	0.0019	0.0030	ZAR	10.1773	10.9076
USD Index	95.34					EQUITIES		
EUR/USD	1.1439	0.0006	0.0026	0.0065	0.0158		Index	
USD/JPY	114.92	-0.02	-0.14	-0.42	-1.29	NZX50	12,335	
GBP/USD	1.3606	-0.0003	-0.0009	-0.0022	-0.0040	ASX200	7,078	
EUR/GBP	0.8408	0.0006	0.0025	0.0061	0.0141	Dow Jones	35,340	
						S&P 500	4,518	
						FTSE100	7,529	
						DAX 30	15,368	
						Nikkei	27,241	
						COMMODITIES		
							USD	
						Dubai Light	88.45	
						Brent Crude	90.70	
						Gold	1,803.86	
						Silver	22.38	
						CRB Index	275.88	
							NZD	
						NZ Carbon	77.00	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.95%	0.92%	0.02%	0.02%
90 day bank bills	1.17%	1.14%	0.09%	0.05%
FRA 90d in 3mths	1.79%	1.76%	0.31%	0.28%
FRA 180d in 6mths	2.45%	2.42%	0.99%	0.98%
1 year swap	1.98%	1.95%	0.55%	0.54%
2 year swap	2.44%	2.42%	1.22%	1.19%
3 year swap	2.63%	2.60%	1.60%	1.56%
5 year swap	2.76%	2.73%	1.86%	1.85%
10 year swap	2.81%	2.79%	2.20%	2.18%
10 year Govt bond		2.51%		1.87%

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