

# Market Alert

Tuesday 8 February 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6627	-0.0024
NZD/AUD	0.9309	-0.0054
NZD/JPY	76.27	-0.59
NZD/EUR	0.5798	-0.0055
NZD/GBP	0.4899	-0.0010
NZD/CNH	4.2165	0.0251
AUD/USD	0.7119	0.0015
AUD/EUR	0.6228	-0.0023
EUR/USD	1.1429	0.0068
USD/CNH	6.3630	0.0612
GBP/USD	1.3528	-0.0021
EUR/GBP	0.8449	0.0064

  

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.16%	0.07%
2 year swap	2.47%	1.30%
10 year Govt	2.60%	2.00%

## Way to go, Zoi!

Congratulations to Zoi Sadowski-Synnott for winning New Zealand's first ever Winter Olympics gold medal!

Following on from Friday evenings stellar releases, where 467,000 US workers returned to the workforce and hourly earnings increased 0.7% on the month, financial markets have retained their volatility. This has been most noticeable in the government bond markets with the sell-off intensifying overnight as investors continued to re-position portfolios amid heightened talk of tighter monetary policy. In the US, the 10-year yield soared above 1.93%, its highest yield in over two years,

while the German 10-year bund soared to yield 0.23%, its highest level in three years, after Klaas Knot, the Dutch Central Bank President and a member of the CB's governing council, stated, *"Personally I expect our first rate increase to take place around the fourth quarter of this year. Normally we would raise rates by a quarter percentage point, I have no reason to expect we would take a different step."*

The head of the IMF, Kristalina Georgieva, added to the inflationary theme stating, *"It is too early to say if the world is facing an era of sustained inflation. Policymakers must calibrate actions to country-specific circumstances in 2022, including inflation and available fiscal space."*

However, it is a different situation in Japan, where the BoJ Governor, Haruhiko Kuroda, announced, *"even when stripping off one-off factors, Japan's consumer inflation is weaker than that of US, Europe. It is hard for inflation to hit 2% unless wages rise in tandem with prices. The biggest factor behind Japan's weak price growth is the fact that households and firms act on the assumption prices won't rise much. It is important to maintain powerful monetary easing to support the economy, generate wage and price growth."* But in spite of these pessimistic comments, Japanese government bonds, or JGB yields, are getting dragged higher with the 10-year hitting 0.197%, its highest level in six years!

Interestingly, in amongst the continuing concerns of inflationary pressures and

higher rates, energy prices gave up some of their recent gains with natural gas off 8.0% while crude eased 1.5%, although it should be noted that oil is still above USD90 a barrel.

In other headlines, industrial production in Germany unexpectedly edged down -0.3% in December following on from November's upwardly revised 0.3% increase, New Zealand building consents/permits increased 0.6% in December which flatlined with November's 0.6% increase, and, in Australia, Q4 retail sales jumped 8.2% exceeding forecasts of 7.0% while the government's foreign currency reserves increased to AUD810.1 billion.

In political news, the Japanese government is looking at diverting some supplies of imported liquefied natural gas to Europe in preparation of a cut-off of gas flows to the region in the event of a Russian invasion of Ukraine while the US and Japan are set to announce a deal to cut US steel tariffs.

## Broadly speaking

Equity markets have struggled for direction since Friday's US data with North American bourses flat, although European markets have made modest gains.

The numbers also helped to arrest the recent USD weakness, although it should be noted that the EUR/USD remains at 1.1425 while the AUD and NZD are above the 0.7100 and 0.6600 levels.



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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	71.14					CAD	0.8396	0.9020
NZD/USD	0.6627	-0.0003	-0.0011	-0.0024	-0.0060	CHF	0.6124	0.6579
NZD/AUD	0.9309	-0.0005	-0.0023	-0.0054	-0.0114	CNY	4.2160	4.5291
NZD/JPY	76.27	-0.05	-0.23	-0.59	-1.62	DKK	4.3161	4.6367
NZD/EUR	0.5798	-0.0006	-0.0023	-0.0055	-0.0135	FJD	1.4224	1.5281
NZD/GBP	0.4899	-0.0001	-0.0005	-0.0010	-0.0030	HKD	5.1637	5.5472
						KRW	795.52	854.62
AU TWI	59.70					MYR	2.7754	2.9816
AUD/USD	0.7119	0.0001	0.0006	0.0015	0.0023	NOK	5.8269	6.2598
AUD/NZD	1.0743	0.0006	0.0027	0.0062	0.0133	SEK	6.0564	6.5063
AUD/JPY	81.94	-0.01	-0.05	-0.16	-0.74	SGD	0.8906	0.9568
AUD/EUR	0.6228	-0.0003	-0.0010	-0.0023	-0.0069	TWD	18.43	19.80
AUD/GBP	0.5262	0.0002	0.0008	0.0020	0.0032	ZAR	10.2922	11.0567
USD Index	95.52					<b>EQUITIES</b>		
EUR/USD	1.1429	0.0006	0.0027	0.0068	0.0165		<b>Index</b>	
USD/JPY	115.11	-0.02	-0.16	-0.47	-1.41	NZX50	12,280	
GBP/USD	1.3528	-0.0003	-0.0009	-0.0021	-0.0039	ASX200	7,111	
EUR/GBP	0.8449	0.0007	0.0026	0.0064	0.0147	Dow Jones	35,236	
						S&P 500	4,505	
						FTSE100	7,573	
						DAX 30	15,207	
						Nikkei	27,249	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	93.03	
						Brent Crude	92.78	
						Gold	1,821.88	
						Silver	23.07	
						CRB Index	277.80	
							<b>NZD</b>	
						NZ Carbon	77.25	

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.99%	0.94%	0.02%	0.02%
90 day bank bills	1.21%	1.16%	0.09%	0.05%
FRA 90d in 3mths	1.81%	1.76%	0.34%	0.31%
FRA 180d in 6mths	2.49%	2.44%	1.09%	1.08%
1 year swap	2.02%	1.99%	0.61%	0.61%
2 year swap	2.48%	2.46%	1.31%	1.29%
3 year swap	2.67%	2.65%	1.69%	1.68%
5 year swap	2.81%	2.79%	1.99%	1.98%
10 year swap	2.82%	2.80%	2.32%	2.29%
10 year Govt bond		2.59%		2.00%

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