

Market Alert

Friday 11 March 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6871	-0.0029
NZD/AUD	0.9335	-0.0064
NZD/JPY	79.76	-0.81
NZD/EUR	0.6253	-0.0075
NZD/GBP	0.5242	-0.0015
NZD/CNH	4.3480	0.0257
AUD/USD	0.7361	0.0020
AUD/EUR	0.6699	-0.0035
EUR/USD	1.0988	0.0088
USD/CNH	6.3285	0.0641
GBP/USD	1.3109	-0.0017
EUR/GBP	0.8382	0.0078

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.45%	0.15%
2 year swap	2.96%	1.70%
10 year Govt	2.95%	2.37%

The ECB plays its cards close to its chest

The ECB has a very clear approach of never 'over-committing', and no-one could accuse them of doing that overnight!

In leaving its interest rates unchanged, the ECB started a very gradual normalisation programme. The central bank confirmed the end of its PEPP programme and confirmed the increase in the APP programme to EUR40bn per month, although the programme will revert back to EUR20bn in June. The ECB also maintained that net

asset purchases could still be extended, or increased, should inflation projections fall below 2%. It also kept the door open for a rate hike before year-end by changing the wording that rates could increase from "shortly after" the end of net asset purchases, to "sometime after."

The ECB also increased its inflation forecast to 5.1% in December from 3.2% with 2023 inflation at 2.1%, up from 1.8%. In the Q&A, Ms Lagarde stated "a rate hike could come 'months after' the end of QE or could be 'weeks after'. There are upside risks to inflation in the short term but also in the medium term."

Has inflation peaked?

In the US, the surprising news was that while inflation hit a 40-year high, the market took the view that its now at, or near its peak. Comfort was taken that the 7.9% print was in line with expectations and that it didn't overshoot forecasts. In what is fast becoming a global energy crisis, energy costs were the index's largest contributor, while food inflation reached its highest level since July of 1981. But while the inflation numbers were bang-in-line with expectations, the reason for the 'deflationary' outlook was the fact that average hourly earnings decreased to -2.6% following January's -1.8% contraction and average weekly earnings fell -2.3%. Quite clearly, wage inflation doesn't appear to be an issue in the US! Finally, initial

jobless claims saw more Americans filing new claims for unemployment with an increase of 11,000 to 227,000.

In contrast to yesterday's performance, equities came off with the Dow losing over 300 points, while the S&P 500 and Nasdaq dropped 1.2% and 1.6%, respectively. Sentiment remains clouded by the war in Ukraine as energy and supply chain driven inflation, and rising interest rates, continue to impact. Crude oil futures fell below USD108 per barrel yesterday after falling more than 12% in the previous session, and uranium spiked to USD54/pound, its highest level since September 2011. Bond yields and swap rates are back up, notably the US 10 year Treasury is back up above 2.0%, after an extended period between the 1.60%- 1.85% range, and the bund is up 6bps to 0.27%. Currencies reverted to trend with the NZD and AUD firming while EUR eased back below the 1.10 handle once again.

On other news, the US House has voted to provide USD13.6bn in aid to Ukraine, while Energy Secretary, Jennifer Granholm, announced the US needed to raise its oil and gas production as "the US is on a war footing!"

In Australia, the RBA announced Deputy Governor, Guy Debelle, has resigned while Moody's is not concerned about the possibility of Australian mortgage delinquencies.



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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	73.78					CAD	0.8762	0.9387
NZD/USD	0.6871	-0.0003	-0.0012	-0.0029	-0.0069	CHF	0.6391	0.6846
NZD/AUD	0.9335	-0.0008	-0.0028	-0.0064	-0.0126	CNY	4.3437	4.6533
NZD/JPY	79.76	-0.08	-0.32	-0.81	-2.10	DKK	4.6532	4.9849
NZD/EUR	0.6253	-0.0009	-0.0032	-0.0075	-0.0177	FJD	1.4423	1.5451
NZD/GBP	0.5242	-0.0001	-0.0006	-0.0015	-0.0043	HKD	5.3746	5.7578
						KRW	843.93	904.10
AU TWI	62.00					MYR	2.8661	3.0704
AUD/USD	0.7361	0.0003	0.0010	0.0020	0.0026	NOK	6.1573	6.5963
AUD/NZD	1.0713	0.0009	0.0032	0.0074	0.0147	SEK	6.6540	7.1284
AUD/JPY	85.45	-0.02	-0.08	-0.28	-1.11	SGD	0.9336	1.0001
AUD/EUR	0.6699	-0.0004	-0.0014	-0.0035	-0.0100	TWD	19.39	20.77
AUD/GBP	0.5615	0.0003	0.0010	0.0023	0.0031	ZAR	10.3146	11.0499
USD Index	98.47					EQUITIES		
EUR/USD	1.0988	0.0011	0.0037	0.0088	0.0206		Index	
USD/JPY	116.10	-0.07	-0.27	-0.69	-1.90	NZX50	11,926	
GBP/USD	1.3109	-0.0001	-0.0006	-0.0017	-0.0026	ASX200	7,131	
EUR/GBP	0.8382	0.0009	0.0032	0.0078	0.0174	Dow Jones	33,074	
						S&P 500	4,242	
						FTSE100	7,099	
						DAX 30	13,442	
						Nikkei	25,690	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		1.08%	1.05%	0.02%	0.02%	Dubai Light	119.85	
90 day bank bills		1.48%	1.45%	0.17%	0.13%	Brent Crude	110.43	
FRA 90d in 3mths		2.46%	2.43%	0.63%	0.60%	Gold	1,996.51	
FRA 180d in 6mths		3.09%	3.06%	1.57%	1.56%	Silver	25.89	
1 year swap		2.50%	2.48%	0.91%	0.91%	CRB Index	310.64	
2 year swap		2.97%	2.95%	1.72%	1.69%		NZD	
3 year swap		3.10%	3.08%	2.10%	2.09%	NZ Carbon	72.00	
5 year swap		3.16%	3.14%	2.38%	2.37%			
10 year swap		3.18%	3.16%	2.72%	2.71%			
10 year Govt bond			2.93%		2.37%			

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