

Market Alert

Tuesday 23 February 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7339	-0.0006
NZD/AUD	0.9262	-0.0011
NZD/JPY	77.08	-0.21
NZD/EUR	0.6032	-0.0028
NZD/GBP	0.5248	-0.0007
NZD/CNH	4.7453	0.0578
AUD/USD	0.7924	0.0003
AUD/EUR	0.6513	-0.0022
EUR/USD	1.2167	0.0046
USD/CNH	7.1227	0.0843
GBP/USD	1.4081	0.0007
EUR/GBP	0.8641	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.27%	0.02%
2 year swap	0.39%	0.13%
10 year Govt	1.64%	1.60%

Back to level one

.... and it's like we've never been away! Now, if I can just find 101 friends to party with!

Fed Chair, Jerome Powell, has a busy week ahead ... tonight he will deliver his semi-annual testimony to the US Senate Banking Committee, and tomorrow he will present to the House Financial Services committee. Watch out for comments on long-end yields!

ECB President, Christine Lagarde, said her institution "is closely monitoring" the government bond market in a sign that she might act to prevent rising yields that are undermining the economic recovery.

Bund yields have increased sharply, with the 10 year breaking the -0.30% level to -0.29%. There are hints the central bank could step up its pandemic emergency bond purchases as the ECB may see rising yields as a threat against their ultra-loose conditions. The US 10 year bond yield is at 1.36%, while the 10year NZ and AU swaps are at 1.74% and 1.65%.

Overnight, the Dallas Fed February manufacturing index increased to +17.2 versus the +8.5 expected, the German IFO business indicator rose to 92.4 in February, above market expectations of 90.5, while GBP/USD cracked the 1.4080 level after the UK's Prime Minister, Boris Johnson, delivered plans to ease lockdown restrictions on the UK economy. USD/JPY also cracked 105.00, amidst JPY selling.

The AUD and NZD edged higher after copper futures on the COMEX exchange hit 10 year highs, while the May iron ore futures contract on the Dalian Commodity Exchange in China went limit up. Australia exported nearly AUD120 billion of iron ore to China in 2020, and 2021 looks likely to break that figure as China's economic growth fuels demand for the metal ore.

Oil also rallied a further 3%, while lumber prices hit their highest level on record topping USD1,010 per thousand board feet. However, stocks pulled back on concerns equities are overvalued with most bourses off slightly, although the tech heavy Nasdaq is currently down 1.6%.

The antipodean currencies found further support from the ratings agencies after S&P raised New Zealand's credit rating to AA+ from AA, while Fitch affirmed Australia rating at AAA with a negative outlook.

Currently both currencies are cementing their recent gains into new, higher ranges, to be at 0.7340 and 0.7925 against the USD.

The news in brief

In what will be the first real test of their congressional abilities, the Democrats begin their final, 3 week push for US President, Joe Biden's, USD1.9 trillion stimulus bill this week.

Chinese state councillor and foreign minister, Wang Yi, announced "China always advocates win-win cooperation" and that "the root cause of Sino-US bilateral difficulties was the previous US administration taking measures to suppress and contain China."

UK media has reported its government is considering joining Australia in having Facebook pay for news content.

The White House is supporting a study on the merits of a financial transaction tax, or, in other words, a stock trading tax after the GameStop frenzy. Somehow, I get the feeling, that this 'tax' will only be for day traders/non-professional investors, and it will not affect hedge funds, or the Wall street banks!



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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	75.85					CAD	0.9247	0.9984
NZD/USD	0.7339	-0.0001	-0.0003	-0.0006	-0.0014	CHF	0.6574	0.7098
NZD/AUD	0.9262	-0.0002	-0.0006	-0.0011	-0.0022	CNY	4.7449	5.1230
NZD/JPY	77.08	-0.03	-0.10	-0.21	-0.50	DKK	4.4855	4.8429
NZD/EUR	0.6032	-0.0004	-0.0014	-0.0028	-0.0060	FJD	1.4808	1.5988
NZD/GBP	0.5248	-0.0001	-0.0004	-0.0007	-0.0017	HKD	5.6902	6.1435
						KRW	815.00	879.94
AU TWI	64.80					MYR	2.9494	3.1844
AUD/USD	0.7924	0.0001	0.0002	0.0003	0.0004	NOK	6.2237	6.7196
AUD/NZD	1.0797	0.0002	0.0007	0.0013	0.0026	SEK	6.0671	6.5505
AUD/JPY	83.22	-0.01	-0.05	-0.12	-0.34	SGD	0.9696	1.0469
AUD/EUR	0.6513	-0.0003	-0.0011	-0.0022	-0.0049	TWD	20.50	22.13
AUD/GBP	0.5628	0.0000	0.0000	-0.0001	-0.0005	ZAR	10.7563	11.6133
USD Index	90.00							
EUR/USD	1.2167	0.0007	0.0023	0.0046	0.0098	EQUITIES		
USD/JPY	105.03	-0.02	-0.09	-0.19	-0.48			Index
GBP/USD	1.4081	0.0001	0.0004	0.0007	0.0019	NZX50		12,426
EUR/GBP	0.8641	0.0004	0.0014	0.0028	0.0058	ASX200		6,781
						Dow Jones		31,639
						S&P 500		3,901
						FTSE100		6,612
						DAX 30		13,950
						Nikkei		30,156
						COMMODITIES		
								USD
						Dubai Light		60.66
						Brent Crude		64.91
						Gold		1,808.70
						Silver		28.01
						CRB Index		204.18

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.28%	0.24%	0.02%	0.02%
90 day bank bills	0.29%	0.25%	0.04%	0.00%
FRA 90d in 3mths	0.31%	0.28%	0.06%	0.01%
FRA 180d in 6mths	0.37%	0.34%	0.10%	0.06%
1 year swap*	0.33%	0.30%	0.05%	0.04%
2 year swap*	0.41%	0.38%	0.14%	0.13%
3 year swap*	0.58%	0.56%	0.29%	0.28%
5 year swap*	1.00%	0.98%	0.80%	0.78%
10 year swap*	1.75%	1.72%	1.70%	1.68%
10 year Govt bond		1.62%		1.60%

* Semi-annual rate resets except AUD 1,2,3 year quarterly

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