

Market Alert

Wednesday 10 March 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7167	-0.0004
NZD/AUD	0.9289	-0.0012
NZD/JPY	77.72	-0.20
NZD/EUR	0.6024	-0.0028
NZD/GBP	0.5157	-0.0006
NZD/CNH	4.6697	0.0609
AUD/USD	0.7716	0.0005
AUD/EUR	0.6485	-0.0022
EUR/USD	1.1897	0.0048
USD/CNH	6.5157	0.0889
GBP/USD	1.3899	0.0007
EUR/GBP	0.8560	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.32%	0.04%
2 year swap	0.55%	0.18%
10 year Govt	1.88%	1.78%

NZ data remains positive

There was a fair bit of NZ data yesterday so let's kick into it. First up was the local Truckometer index that showed heavy vehicle usage, as a precursor to GDP, improved 2.0% on January's contraction as the recovery 'overshoot' continues to dissipate gradually.

Manufacturing volumes increased 0.5% on the quarter, which cemented the previous quarter's 17.3% jump. The local activity outlook remained positive at 17.4, down from February's 21.3, although business confidence fell to 0.0 from 7.0 as the recent lockdowns impacted confidence in the recovery.

PIMCO announced "We think upward pressure on inflation is likely to be relatively contained. We don't see a substantial risk of a rapid acceleration in inflation, particularly in the near term," with, "yields on longer dated bonds should stay broadly bounded within recent ranges as central banks keep short term policy rates anchored near zero." This mirrored Janet Yellen's inflation comment overnight that, "we have the tools to deal with that."

Société Générale announced they expect the US 10 year yield to hit 2.0% by year end citing fiscal support, improving US fundamentals, and easy financial conditions, with the key risk to the forecast being Fed intervention. Meanwhile the OECD has revised up its 2021 global growth projection to 5.6% from 4.2% as the vaccine rollouts gain momentum and government stimulus.

China plans to create a new state owned pension firm to tackle a massive funding gap as the world's largest population struggles to finance retirement despite decades of economic growth.

Bond market thrills and spills

Market rumours abound that the BoC could soon start pulling back stimulus from the nation's surprisingly robust economy, with suggestions they could signal plans to pare back QE at tonight's central bank meeting. Given the similarities between the Canadian and New Zealand economies,

traders often view BoC rhetoric as a proxy for RBNZ action.

The ECB stepped up the pace of its emergency bond-buying last week to EUR18.2 billion from EUR16.9 billion after policy makers issued repeated warnings that the recent rise in yields is threatening to derail the region's economic recovery.

US bond traders are concerned that the March 31 expiration of the SLR provision could drain the US bond markets of much needed liquidity. The measure granted capital relief to banks by allowing them to exclude Treasuries and reserves when calculating their supplementary leverage ratio thereby allowing them to hold more Treasuries than they otherwise might. Its extension or removal has potential implications for Treasury demand and liquidity at a time when the market is already facing an array of pressures from rising inflationary concerns.

Overnight gold surged 2.3% driven by a falling USD and treasury yields, as the 10-year eased to 1.54%. In amongst this, equities took a bid tone with the European Stoxx hitting its highest level since February 2020 while the Nasdaq rallied 4.5% to recover some of its losses over the last 4-weeks. The NZD/USD and AUD/USD recovered from their Asian lows, inspired by the fall in Chinese iron ore, as the USD came under pressure to be at 0.7165 and 0.7710 respectively.



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Daily Rates

Wednesday 10 March 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.16					CAD	0.9059	0.9752
NZD/USD	0.7167	0.0000	-0.0001	-0.0004	-0.0012	CHF	0.6652	0.7161
NZD/AUD	0.9289	-0.0002	-0.0006	-0.0012	-0.0023	CNY	4.6565	5.0129
NZD/JPY	77.72	-0.03	-0.09	-0.20	-0.52	DKK	4.4801	4.8230
NZD/EUR	0.6024	-0.0005	-0.0013	-0.0028	-0.0060	FJD	1.4697	1.5822
NZD/GBP	0.5248	-0.0001	-0.0002	-0.0006	-0.0015	HKD	5.5623	5.9881
						KRW	813.60	875.87
AU TWI	64.00					MYR	2.9489	3.1746
AUD/USD	0.7716	0.0002	0.0004	0.0005	0.0006	NOK	6.0714	6.5361
AUD/NZD	1.0765	0.0002	0.0007	0.0014	0.0027	SEK	6.0944	6.5608
AUD/JPY	83.66	-0.01	-0.04	-0.11	-0.35	SGD	0.9632	1.0369
AUD/EUR	0.6485	-0.0003	-0.0010	-0.0022	-0.0048	TWD	20.31	21.86
AUD/GBP	0.5551	0.0000	0.0001	0.0001	-0.0003	ZAR	10.9646	11.8038
USD Index	92.00							
EUR/USD	1.1897	0.0009	0.0024	0.0048	0.0098	EQUITIES		
USD/JPY	108.44	-0.04	-0.10	-0.21	-0.53			Index
GBP/USD	1.3899	0.0002	0.0004	0.0007	0.0018	NZX50		12,145
EUR/GBP	0.8560	0.0005	0.0014	0.0030	0.0060	ASX200		6,771
						Dow Jones		32,065
						S&P 500		3,903
						FTSE100		6,730
						DAX 30		14,438
						Nikkei		29,028
						COMMODITIES		
								USD
						Dubai Light		66.69
						Brent Crude		67.54
						Gold		1,716.86
						Silver		26.03
						CRB Index		203.11

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	0.34%	0.30%	0.06%	0.02%
FRA 90d in 3mths	0.35%	0.31%	0.09%	0.04%
FRA 180d in 6mths	0.41%	0.40%	0.16%	0.12%
1 year swap	0.38%	0.36%	0.10%	0.06%
2 year swap	0.56%	0.54%	0.19%	0.17%
3 year swap	0.79%	0.77%	0.38%	0.35%
5 year swap	1.27%	1.24%	0.90%	0.88%
10 year swap	2.04%	2.02%	1.83%	1.81%
10 year Govt bond		1.86%		1.78%

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