

Market Alert

Thursday 11 March 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7189	-0.0004
NZD/AUD	0.9298	-0.0010
NZD/JPY	77.97	-0.19
NZD/EUR	0.6033	-0.0027
NZD/GBP	0.5165	-0.0006
NZD/CNH	4.6708	0.0608
AUD/USD	0.7732	0.0005
AUD/EUR	0.6488	-0.0022
EUR/USD	1.1917	0.0048
USD/CNH	6.4987	0.0882
GBP/USD	1.3919	0.0008
EUR/GBP	0.8562	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.33%	0.04%
2 year swap	0.54%	0.13%
10 year Govt	1.81%	1.71%

BoC unchanged

The BoC lefts its key overnight rate unchanged at 0.25% and maintained its forward guidance and QE program, of at least CAD 4 billion per week. Policymakers said that despite the stronger near term outlook, there is still considerable economic slack and a great deal of uncertainty about the evolution of the virus and the path of economic growth. GDP growth in Q1/2021 is now expected to be positive. In a similar move to the RBNZ, the BoC expect CPI to move temporarily to the topside

of its 1.0%-3.0% target band in the next few months, before moderating.

US inflation came out bang in-line with expectations at 0.4% on the month, and 1.7% on the year, for its highest print since February 2020 due to higher energy costs. Meanwhile, core inflation eased to 1.3% from 1.4%, below forecasts of 1.4%. Fed Chair Powell has been reiterating that inflation could exceed 2% although immediate upward price pressures are likely to be temporary.

And in what is becoming a trend, ECB forecasts reportedly assume only a fleeting jump in inflation before pulling-back.

Chinese CPI compressed in February -0.2% while PPI jumped 1.7%. Both were slightly better than expectations of -0.3% and +1.5%. The main rationale for the compression of CPI was the continuing fall of pork prices, although the PPI print was the highest in two years as commodity price rises fuelled the index higher during the month. It should be noted, that following yesterday's pullback in Chinese iron ore, copper futures have retreated 6% from last month's 10 year high driven by a rising USD and bond yields.

China's banks extended CNY1.36 trillion in new yuan loans in February, well below January's record CNY 3.58 trillion, but well above market forecasts of CNY 0.95 trillion.

In a speech yesterday, RBA Governor Philip Lowe, told us nothing we didn't already know, reiterating the central bank, "will not be hiking the cash rate until 2024 at the earliest, that he needs to see progress toward full employment and inflation into the 2-3% target range before doing so." He then added he, "would be comfortable with a lower AUD, but cannot say its overvalued, and that he is still considering whether to move from April 2024 bond to the November 2024. While the RBA is doing a huge amount of QE already, its sensible to see how the economy develops before deciding on more." Finally, he added, "a tight labour market is key to driving higher wage growth," and, on the bond market he stated, "I do not believe the market pricing is correct."

New Zealand February card spending fell -3.2% on the month with retail card spending down -2.5%

Steady as she goes

Markets were 'Steady Eddie' overnight, with international bourses up moderately although US equities found support after Treasury yields turned lower in advance of the 10 year note auction. Currently the 10 year yield is at 1.515%, while the antipodeans are at 1.79% (New Zealand) and 1.70% (Australia). The NZD/USD and AUD/USD were relatively range bound to be at 0.7185 and 0.7725, although NZD/AUD eased to 0.9300.



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Daily Rates

Thursday 11 March 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.34					CAD	0.9086	0.9772
NZD/USD	0.7189	0.0000	-0.0001	-0.0004	-0.0012	CHF	0.6687	0.7192
NZD/AUD	0.9298	-0.0002	-0.0005	-0.0010	-0.0023	CNY	4.6612	5.0131
NZD/JPY	77.97	-0.03	-0.09	-0.19	-0.52	DKK	4.4863	4.8250
NZD/EUR	0.6033	-0.0004	-0.0013	-0.0027	-0.0060	FJD	1.4638	1.5743
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0016	HKD	5.5789	6.0001
						KRW	817.98	879.74
AU TWI	64.10					MYR	2.9519	3.1748
AUD/USD	0.7732	0.0001	0.0003	0.0005	0.0006	NOK	6.0653	6.5232
AUD/NZD	1.0755	0.0002	0.0006	0.0012	0.0027	SEK	6.1067	6.5677
AUD/JPY	83.86	-0.02	-0.05	-0.11	-0.35	SGD	0.9661	1.0390
AUD/EUR	0.6488	-0.0004	-0.0011	-0.0022	-0.0049	TWD	20.36	21.90
AUD/GBP	0.5555	0.0000	0.0000	0.0000	-0.0003	ZAR	10.8367	11.6548
USD Index	91.92							
EUR/USD	1.1917	0.0009	0.0024	0.0048	0.0099	EQUITIES		
USD/JPY	108.47	-0.04	-0.10	-0.21	-0.54			Index
GBP/USD	1.3919	0.0002	0.0005	0.0008	0.0018	NZX50		12,252
EUR/GBP	0.8562	0.0005	0.0015	0.0029	0.0060	ASX200		6,714
						Dow Jones		32,297
						S&P 500		3,898
						FTSE100		6,726
						DAX 30		14,540
						Nikkei		29,037
						COMMODITIES		
								USD
						Dubai Light		65.35
						Brent Crude		67.79
						Gold		1,723.44
						Silver		26.12
						CRB Index		203.60

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