

Market Alert

Friday 12 March 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7224	-0.0004
NZD/AUD	0.9276	-0.0010
NZD/JPY	78.32	-0.20
NZD/EUR	0.6026	-0.0027
NZD/GBP	0.5167	-0.0006
NZD/CNH	4.6775	0.0598
AUD/USD	0.7788	0.0004
AUD/EUR	0.6496	-0.0022
EUR/USD	1.1989	0.0047
USD/CNH	6.4805	0.0867
GBP/USD	1.3983	0.0007
EUR/GBP	0.8574	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.32%	0.04%
2 year swap	0.53%	0.14%
10 year Govt	1.72%	1.65%

ECB increases monthly bond purchases

The ECB left its key interest rates at record low levels overnight, although it committed to accelerating its PEPP programme (bond buying) at a significantly higher pace in an attempt to bring government bond yields down.

Most importantly, it was confirmed that full consensus was reached by the Governing Council on this strategy.

ECB President, Christine Lagarde, also presented the ECB's updated economic projections. Overall, the 2021 GDP forecast was revised up slightly to 4.0%, compared with 3.9% projected in December, with 2022 GDP now forecast to grow at 4.1%, down from its previous 4.2% estimate. Inflation is expected in average 1.5%, above the 1.00% seen earlier.

In the US, initial claims fell 42,000 on the week, to 712,000, which was below the 725,000 forecast, while the February monthly budget deficit came in at USD310.9 billion, above the USD305.0 billion expected. Still, what does USD5.0 billion get you these days! Then again, with President Biden due to sign the latest stimulus plan any minute, the IMF have forecast the USD1.9 trillion will boost US GDP by 5.0-6.0% over the next three years, with Deutsche Bank forecasting that 40.0% of this could go straight into US equities!

New Zealand food price inflation for February fell -0.9% on the month, a huge swing from January's +1.3% gain, for an annualised +1.2% print.

Overnight events saw US equities obtain new highs while 10 year government yields eased across the board, with the US at 1.53%, the German bund down to -0.335%, the Australian yield fell 5 pips to 1.64%, while, in New Zealand, the yield is

off an impressive 9 points to 1.71%. Off the back of this, the USD slumped against the majors which saw the EUR, AUD, and NZD all rally to 1.1985, 0.7785 and 0.7225 against the USD.

Making the big, slightly contradictory, calls

Bank of America started with 'It's the Fed versus an economy on fire, stating' *"while it's difficult for the Fed to communicate steps toward monetary policy normalization in a standard slow moving cycle, this time it would seem a near impossible task. The sell-off in credit is not over yet."*

Nomura then added a weaker USD may come as soon as Q2 as *"US yields should have run their course"* while Westpac reiterated its *"core view that the recovery in global growth will be greater in scale and longevity than that seen in the US, which will see the DXY fall."*

Meanwhile, BlackRock announced, *"while we don't expect the Fed to make a policy adjustment anytime soon, at some point the financial stability risks that emanate from an extremely low policy rate, coupled with the real economy boom that we expect, could, in fact, force the Fed's hand (to take action)."*

With so many contradictory forces at play, financial market volatility looks certain to feature strongly over 2021.



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Daily Rates

Friday 12 March 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.44					CAD	0.9061	0.9768
NZD/USD	0.7224	0.0000	-0.0001	-0.0004	-0.0013	CHF	0.6672	0.7193
NZD/AUD	0.9276	-0.0002	-0.0005	-0.0010	-0.0023	CNY	4.6681	5.0324
NZD/JPY	78.32	-0.03	-0.09	-0.20	-0.53	DKK	4.4808	4.8305
NZD/EUR	0.6026	-0.0004	-0.0013	-0.0027	-0.0060	FJD	1.4701	1.5849
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0016	HKD	5.6055	6.0430
						KRW	817.08	880.86
AU TWI	64.40					MYR	2.9734	3.2055
AUD/USD	0.7788	0.0001	0.0003	0.0004	0.0005	NOK	6.0759	6.5501
AUD/NZD	1.0781	0.0002	0.0006	0.0012	0.0027	SEK	6.1024	6.5786
AUD/JPY	84.44	-0.02	-0.05	-0.12	-0.36	SGD	0.9678	1.0433
AUD/EUR	0.6496	-0.0004	-0.0011	-0.0022	-0.0049	TWD	20.39	21.98
AUD/GBP	0.5569	0.0000	0.0000	0.0000	-0.0003	ZAR	10.7115	11.5475
USD Index	91.43							
EUR/USD	1.1989	0.0009	0.0024	0.0047	0.0099	EQUITIES		
USD/JPY	108.43	-0.04	-0.10	-0.21	-0.54			Index
GBP/USD	1.3983	0.0002	0.0004	0.0007	0.0018	NZX50		12,272
EUR/GBP	0.8574	0.0005	0.0014	0.0029	0.0060	ASX200		6,714
						Dow Jones		32,614
						S&P 500		3,952
						FTSE100		6,737
						DAX 30		14,569
						Nikkei		29,212
						COMMODITIES		
								USD
						Dubai Light		66.48
						Brent Crude		69.43
						Gold		1,724.88
						Silver		26.13
						CRB Index		206.39

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%	0.32%	0.09%	0.04%
FRA 180d in 6mths	0.39%	0.36%	0.14%	0.10%
1 year swap	0.37%	0.34%	0.09%	0.06%
2 year swap	0.54%	0.52%	0.15%	0.13%
3 year swap	0.76%	0.73%	0.30%	0.29%
5 year swap	1.19%	1.17%	0.85%	0.75%
10 year swap	1.91%	1.88%	1.72%	1.71%
10 year Govt bond		1.71%		1.65%

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