

# Market Alert

Monday 15 March 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7173	-0.0004
NZD/AUD	0.9248	-0.0010
NZD/JPY	78.17	-0.20
NZD/EUR	0.6001	-0.0027
NZD/GBP	0.5155	-0.0006
NZD/CNH	4.6641	0.0598
AUD/USD	0.7757	0.0003
AUD/EUR	0.6489	-0.0023
EUR/USD	1.1953	0.0047
USD/CNH	6.4964	0.0874
GBP/USD	1.3916	0.0007
EUR/GBP	0.8589	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.32%	0.04%
2 year swap	0.60%	0.17%
10 year Govt	1.80%	1.70%

## It's going to be a busy week

This week will see a 3 day frenzy of central bank meetings starting on Wednesday with at least 11 monetary announcements due around the world.

The Fed's decision will be the most significant with Chairman, Jerome Powell, likely to affirm a loose stance that stops short of the heightened activism of the ECB, which last week pledged to frontload bond purchases.

The BoE may well take a view similar to the Fed as it focuses on growth risks still dominating their outlook, while the BoJ

will likely unveil a policy review, possibly tweaking stimulus programs, and even reiterating its capacity to cut rates further.

Other monetary authorities are likely to be less sanguine with the central banks of Norway and Russia likely signalling shifts towards a more hawkish stance, while officials in Brazil and Turkey could conceivably deliver the Group of 20's first rate hikes of 2021.

The possibility of Fed interest rate hikes found further support after a Bloomberg survey of economists found three-quarters of economists forecast 50 basis points of tightening in 2023, although they predict the Fed's own forecasts will project rates staying on hold throughout the year. It should be noted that within this environment the NZ market is still fully pricing in a 25 basis point hike by July 2022.

This week will also provide an interesting insight into the recovery in China with industrial production, retail sales, unemployment, and fixed asset investment number all due out, while we also have a couple of speeches from Australian policy makers, and, in New Zealand, we have December quarter GDP and the GDT auction.

Friday saw the release of US PPI data, which was in-line with expectations, although there was a significant drop in the ex-food and energy print which highlighted a weakening in inflationary pressures, while the University of

Michigan sentiment index had a massive up-lift jumping to 83.0 from the previous months 76.8 print.

This saw US equities have their best week since early February although the tech-heavy Nasdaq dropped as much as 2.1% before paring those declines, while the yield on the benchmark 10 year Treasury rose to 1.63% to hit a 12 month high amid signs of a stronger economic recovery and renewed inflation concerns.

In FX markets, futures positioning saw a reduction of euro long positions with speculators selling 24,000 contracts. Speculators also unwound long sold JPY, GBP and CAD positions and purchased CHF, AUD, and NZD contracts as dollar short positions were reduced by more than USD4 billion. This knocked through to the spot market as the NZD/USD and AUD/USD both eased back to 0.7175 and 0.7755, to start the week in the lower half of their trading ranges, while the NZD/AUD cross came under further pressure breaking down below its six month support to be at 0.9250.

## Merkel's exit weighs

With Chancellor Angela Merkel's exit looming after September's national election, the Christian Democratic Union crashed to its worst results in over 50-years in two regional elections as voters vented their frustration over the government's handling of the pandemic and the slow pace of vaccinations.



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# Daily Rates

Monday 15 March 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.15					CAD	0.8955	0.9680
NZD/USD	0.7173	0.0000	-0.0001	-0.0004	-0.0013	CHF	0.6665	0.7204
NZD/AUD	0.9251	-0.0001	-0.0004	-0.0010	-0.0022	CNY	4.6566	5.0338
NZD/JPY	78.16	-0.03	-0.09	-0.20	-0.53	DKK	4.4634	4.8250
NZD/EUR	#VALUE!	-0.0004	-0.0013	-0.0027	-0.0060	FJD	1.4549	1.5728
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0016	HKD	5.5714	6.0228
						KRW	815.66	881.74
AU TWI	64.60					MYR	2.9571	3.1967
AUD/USD	0.7756	0.0001	0.0002	0.0003	0.0004	NOK	6.0443	6.5340
AUD/NZD	1.0810	0.0001	0.0005	0.0011	0.0026	SEK	6.0899	6.5833
AUD/JPY	84.52	-0.02	-0.06	-0.13	-0.38	SGD	0.9651	1.0432
AUD/EUR	0.6490	-0.0004	-0.0011	-0.0023	-0.0050	TWD	20.23	21.87
AUD/GBP	0.5572	0.0000	0.0000	0.0000	-0.0004	ZAR	10.7236	11.5924
USD Index	91.68					<b>EQUITIES</b>		
EUR/USD	1.1952	0.0008	0.0024	0.0047	0.0099		<b>Index</b>	
USD/JPY	108.98	-0.04	-0.10	-0.21	-0.55	NZX50	12,427	
GBP/USD	1.3920	0.0002	0.0004	0.0007	0.0018	ASX200	6,767	
EUR/GBP	0.8586	0.0005	0.0014	0.0029	0.0060	Dow Jones	32,779	
						S&P 500	3,943	
						FTSE100	6,761	
						DAX 30	14,502	
						Nikkei	29,718	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	67.34	
						Brent Crude	69.22	
						Gold	1,726.40	
						Silver	25.89	
						CRB Index	205.94	

  

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%	0.10%	0.05%
FRA 180d in 6mths	0.39%	0.36%	0.15%	0.11%
1 year swap	0.37%	0.34%	0.09%	0.08%
2 year swap	0.54%	0.51%	0.17%	0.16%
3 year swap	0.75%	0.72%	0.34%	0.32%
5 year swap	1.19%	1.17%	0.87%	0.77%
10 year swap	1.91%	1.88%	1.88%	1.85%
10 year Govt bond		1.71%		1.70%

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