

Market Alert

Thursday 18 March 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7234	-0.0004
NZD/AUD	0.9287	-0.0011
NZD/JPY	78.77	-0.20
NZD/EUR	0.6040	-0.0028
NZD/GBP	0.5189	-0.0006
NZD/CNH	4.6644	0.0643
AUD/USD	0.7790	0.0004
AUD/EUR	0.6504	-0.0022
EUR/USD	1.1977	0.0047
USD/CNH	6.4881	0.0930
GBP/USD	1.3939	0.0007
EUR/GBP	0.8593	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.33%	0.03%
2 year swap	0.54%	0.13%
10 year Govt	1.77%	1.72%

Well done, Team Emirates New Zealand!

Here's to the next event ... in Bermuda, Shanghai, or Dubai!!!

In leaving rates unchanged, the Federal Reserve sharply ramped up its expectations for economic growth but indicated there are no expected interest rate hikes through 2023, despite an improving outlook and an up-turn this year to higher inflation.

Officials continued to project near-zero interest rates through to at least 2023, although 7 of the 18 officials predicted higher rates by the end of 2023 compared with five at the December meeting.

The expected bump in inflation to 2.4% in 2021 will be short-lived as price pressures slow to 2.0% next year as, "inflation continues to run below 2.0%."

Excluding food and energy, inflation is forecast to hit 2.2% this year and fall to 2.0% in 2022.

While upgrading its economic outlook to reflect greater optimism over the recovery "following a moderation in the pace of the recovery, indicators of economic activity and employment have turned up recently, although the sectors most adversely affected by the pandemic remain weak."

Members left asset purchases unchanged at USD120 billion a month and repeated that this pace would be maintained until "substantial further progress" is made on their employment and inflation goals. The Fed is projecting the unemployment rate will fall to 4.5% by the end of the year, and while this is optimistic, remember they announced they are also looking at different measures of employment.

In the Q&A, Fed Chair, Jerome Powell, added "we want to see actual substantial progress, not just forecasts, before taper talk."

All told, markets loved the Fed statement as the US dollar dropped and risk trades rallied as the Fed dots implied no hikes until 2024. In the aftermath of the statement, equities put on modest gains and the NZD and AUD immediately gained a cent.

Like yields, the US 10-year Treasury held on to its pre-meeting gains to be at

1.65% while inflation-linked yields all spiked higher as well with the 5-years at 2.66%.

Rising Australian issues

While Australia has barely begun its vaccination program, a very large chunk of its fiscal support will disappear at the end of this month as the Australian government 'JobKeeper' wage subsidy program ends and the remaining AUD10 billion of loan deferrals expires.

This was emphasised by RBA Deputy Governor, Christopher Kent, stating "the Bank is aware of, and focused on, what asset prices are doing. The uncertain outlook is making small business wary of new debt and I expect a rise in business failures as fiscal support is phased out. If asset prices are rising on the back of deteriorating lending standards, and rising financial risks, that would be a concern." Before adding, "later this year the RBA will consider additional bond buying, (although it) will depend on economic data. I don't think monetary policy should or can control asset prices."

US Secretary of State, Antony Blinken, says China is acting more aggressively and more repressively and has released a report identifying 24 China and Hong Kong officials whose actions have reduced Hong Kong's autonomy.

Fonterra expects shipping delays to clear by end-March.



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Daily Rates

Thursday 18 March 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.59					CAD	0.8983	0.9673
NZD/USD	0.7234	0.0000	-0.0002	-0.0004	-0.0014	CHF	0.6672	0.7184
NZD/AUD	0.9287	-0.0002	-0.0005	-0.0011	-0.0024	CNY	4.6560	5.0137
NZD/JPY	78.77	-0.03	-0.09	-0.20	-0.53	DKK	4.4911	4.8361
NZD/EUR	0.6040	-0.0004	-0.0014	-0.0028	-0.0061	FJD	1.4778	1.5913
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0016	HKD	5.6164	6.0479
						KRW	812.86	875.32
AU TWI	64.40					MYR	2.9580	3.1853
AUD/USD	0.7790	0.0001	0.0003	0.0004	0.0005	NOK	6.0921	6.5601
AUD/NZD	1.0768	0.0002	0.0006	0.0013	0.0027	SEK	6.1173	6.5873
AUD/JPY	84.82	-0.02	-0.05	-0.11	-0.35	SGD	0.9700	1.0445
AUD/EUR	0.6504	-0.0004	-0.0011	-0.0022	-0.0049	TWD	20.47	22.04
AUD/GBP	0.5588	0.0000	0.0000	0.0000	-0.0003	ZAR	10.6084	11.4235
USD Index	91.49							
EUR/USD	1.1977	0.0008	0.0024	0.0047	0.0100	EQUITIES		
USD/JPY	108.90	-0.04	-0.10	-0.21	-0.53			Index
GBP/USD	1.3939	0.0002	0.0004	0.0007	0.0017	NZX50		12,622
EUR/GBP	0.8593	0.0005	0.0015	0.0030	0.0061	ASX200		6,795
						Dow Jones		33,009
						S&P 500		3,964
						FTSE100		6,763
						DAX 30		14,597
						Nikkei		29,914
						COMMODITIES		
								USD
						Dubai Light		66.01
						Brent Crude		68.06
						Gold		1,746.85
						Silver		26.36
						CRB Index		204.75

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	0.35%	0.31%	0.05%	0.01%
FRA 90d in 3mths	0.36%	0.33%	0.08%	0.03%
FRA 180d in 6mths	0.41%	0.38%	0.14%	0.10%
1 year swap	0.38%	0.35%	0.08%	0.06%
2 year swap	0.55%	0.53%	0.14%	0.12%
3 year swap	0.76%	0.74%	0.30%	0.29%
5 year swap	1.21%	1.19%	0.84%	0.74%
10 year swap	1.95%	1.92%	1.81%	1.79%
10 year Govt bond		1.75%		1.72%

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