

# Market Alert

Friday 19 March 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7172	-0.0004
NZD/AUD	0.9232	-0.0010
NZD/JPY	78.16	-0.19
NZD/EUR	0.6017	-0.0027
NZD/GBP	0.5148	-0.0006
NZD/CNH	4.6774	0.0636
AUD/USD	0.7768	0.0004
AUD/EUR	0.6517	-0.0022
EUR/USD	1.1920	0.0047
USD/CNH	6.5109	0.0926
GBP/USD	1.3934	0.0007
EUR/GBP	0.8555	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.34%	0.04%
2 year swap	0.52%	0.17%
10 year Govt	1.79%	1.78%

## Let's ignore GDP

Yes, we know it's old, but the Q4 GDP number was a shocker! Down -1.0% on the quarter and -0.9% on the year. As someone said, yes, -1.0% is a horror number, but it comes after a +14% in Q3 and, let's be honest, I've got underpants that are older than this data!

To summarise, *"The December 2020 quarter results reflect an easing of activity following a post lockdown catch up in the previous quarter, and the continued absence of international visitors."* Hopefully the mid-April trans-Tasman bubble will solve that last issue!

Let us look at Australia instead, where the data releases are actually relevant! And, to be fair, they have produced another stonker with employment increasing 88,700, against an expected 30,000 gain. In a perfect storm, full-time employment gained 89,100, part-time fell 500, with the participation rate at 66.1%. Overall, the unemployment rate fell to 5.8% from the expected 6.3%. I guess with JobSeeker about to end, everyone wants a job!

The BoE voted unanimously to keep its benchmark interest rate on hold at 0.1% and to leave its bond-buying programme unchanged overnight, adding that UK GDP was projected to recover strongly over 2021 and that inflation was expected to return towards its 2.0 percent target in the spring. The MPC also noted economic output fell less than anticipated in January, while the government had also outlined plans for new spending. Interestingly, the minutes mentioned *"upside risks"* seven times, up from just two in February.

In other news, US initial claims rose 770,000, up from the previously revised figure of 725,000 and above market expectations of 700,000, while the Philadelphia Fed manufacturing index jumped to 51.8 in March from 23.1 in February.

In the EU, hourly labour costs advanced 3.0% on the year in Q4 20, following an increase of 1.6% in Q3. Finally, the

Eurozone's trade surplus widened to EUR6.3 billion in January, up from EUR1.6 billion in January 2020.

While the BoJ have said they are nowhere near allowing policy to tighten, Japanese media have reported the BoJ plans to widen their 10-year JGBs yield target to plus/minus 0.25%.

While equities continue to post modest gains, it is interesting to note that the European Stoxx 600 has outperformed its US equivalent, the Dow, this month. And fixed income remains under significant pressure amid concerns the Fed risks letting inflation accelerate, which saw US 10-year yields climb to 1.75% before easing to 1.73%, while the 30-year breached 2.50% at one stage. The NZD eased back giving up most of its post-Fed gains, although the AUD managed to hold on its gains.

## Central bank rate hikes

Banco Central do Brasil hiked their benchmark rate 75bp to 2.75%, with the expectation they will probably do another 75bps at their next meeting, while the Central Bank of Turkey raised its benchmark one-week repo rate by 200 bps to 19%.

A World Bank report shows the global middle class shrank for the first time in decades last year with almost two-thirds of households reporting they suffered a loss in income.



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# Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.08					CAD	0.8966	0.9712
NZD/USD	0.7172	0.0000	-0.0002	-0.0004	-0.0013	CHF	0.6654	0.7208
NZD/AUD	0.9232	-0.0002	-0.0005	-0.0010	-0.0023	CNY	4.6823	5.0718
NZD/JPY	78.16	-0.02	-0.08	-0.19	-0.51	DKK	4.4738	4.8459
NZD/EUR	0.6017	-0.0004	-0.0013	-0.0027	-0.0060	FJD	1.4532	1.5741
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0015	HKD	5.5687	6.0319
						KRW	809.22	876.54
AU TWI	65.00					MYR	2.9747	3.2222
AUD/USD	0.7768	0.0001	0.0002	0.0004	0.0005	NOK	6.0926	6.5994
AUD/NZD	1.0832	0.0002	0.0006	0.0012	0.0027	SEK	6.1046	6.6124
AUD/JPY	84.66	-0.01	-0.05	-0.11	-0.35	SGD	0.9640	1.0441
AUD/EUR	0.6517	-0.0004	-0.0011	-0.0022	-0.0050	TWD	20.34	22.03
AUD/GBP	0.5575	0.0000	0.0000	0.0000	-0.0003	ZAR	10.6145	11.4975
USD Index	91.89							
EUR/USD	1.1920	0.0008	0.0023	0.0047	0.0099	<b>EQUITIES</b>		
USD/JPY	108.99	-0.03	-0.09	-0.20	-0.52			<b>Index</b>
GBP/USD	1.3934	0.0002	0.0004	0.0007	0.0016	NZX50		12,496
EUR/GBP	0.8555	0.0005	0.0014	0.0029	0.0061	ASX200		6,746
						Dow Jones		33,025
						S&P 500		3,936
						FTSE100		6,780
						DAX 30		14,776
						Nikkei		30,217
						<b>COMMODITIES</b>		
								<b>USD</b>
						Dubai Light		65.01
						Brent Crude		63.07
						Gold		1,734.23
						Silver		26.01
						CRB Index		198.87

  

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	0.36%	0.32%	0.06%	0.02%
FRA 90d in 3mths	0.36%	0.33%	0.08%	0.03%
FRA 180d in 6mths	0.39%	0.36%	0.14%	0.10%
1 year swap	0.37%	0.35%	0.09%	0.07%
2 year swap	0.54%	0.51%	0.18%	0.17%
3 year swap	0.75%	0.72%	0.35%	0.34%
5 year swap	1.21%	1.18%	0.90%	0.88%
10 year swap	1.98%	1.95%	1.93%	1.91%
10 year Govt bond		1.77%		1.78%

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