

Market Alert

Monday 22 March 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7154	-0.0004
NZD/AUD	0.9284	-0.0010
NZD/JPY	77.70	-0.19
NZD/EUR	0.6005	-0.0027
NZD/GBP	0.5166	-0.0005
NZD/CNH	4.6630	0.0620
AUD/USD	0.7705	0.0004
AUD/EUR	0.6486	-0.0022
EUR/USD	1.1880	0.0047
USD/CNH	6.5080	0.0905
GBP/USD	1.3846	0.0007
EUR/GBP	0.8580	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.34%	0.03%
2 year swap	0.52%	0.15%
10 year Govt	1.82%	1.80%

What, no sailing?

At least we have got the cricket, and the rugby, and the league!

To close out last week, the BoJ left its key short-term interest rate unchanged at -0.1% and maintained its yield target for the 10 year Japanese government bond yield at around 0%, as widely expected.

The central bank also decided to widen the band at which it allows long-term interest rates to move around its 0% target in an effort to make its ultra-easy monetary policy more sustainable.

US equities also took a hit late Friday after the Federal Reserve announced that the temporary change to the supplementary leverage ratio (SLR) for banks will expire as scheduled on 31 March 2021.

The initial change to the SLR was announced in April 2020 and allowed banks to exclude Treasuries and deposits with Federal Reserve banks from the calculation of their leverage ratio, freeing banks from their regulatory thresholds thereby encouraging lending during the pandemic.

In a statement, the Fed said *“The temporary change was made to provide flexibility for depository institutions to provide credit to household and businesses in light of the COVID-19 event”* and it is likely that some banks will need to sell off Treasuries after the March deadline.

Aramco, the Saudi oil behemoth that IPO'd 1.5% of the company in December 2019, reported a 44% collapse in full year earnings as COVID-19 punctured the global oil economy impacting prices, volumes, and refining margins. For all the bad news, Aramco still declared a dividend of USD75 billion and remains the world's most profitable company.

Canadian Pacific has agreed to acquire Kansas City Southern in a merger valued at about USD25 billion that would create the first freight rail network linking Mexico, the U.S. and Canada.

Mounting concerns

With Federal Reserve Chair, Jerome Powell stating he would, *“love to see Europe growing faster,”* concerns are mounting that the EU's fiscal stimulus is starting to look less assured than its monetary guardians would like.

Even ECB President, Christine Lagarde, warned lawmakers last week that the slow rollout of the EUR750 billion pandemic recovery fund would damage the regions recovery. This adds further pressure on the EU's leadership to get its flagship tool right — especially with other parts of its crisis response faltering such as the bloc's botched vaccination drive.

These concerns have weighed on the EUR/USD with it currently trading at 1.1880 as it looks for support at 1.1857, its 200 day moving average.

Interestingly, while US equities weakened and the USD rallied against the Euro, the NZD and AUD were only off a touch and appear to be held in high esteem by speculators, even after the Finance Minister, Grant Robertson, warned further economic volatility should be expected and that another recession could not be ruled out.



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Daily Rates

Monday 22 March 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.08					CAD	0.8953	0.9643
NZD/USD	0.7154	0.0000	-0.0002	-0.0004	-0.0012	CHF	0.6652	0.7164
NZD/AUD	0.9284	-0.0002	-0.0005	-0.0010	-0.0023	CNY	4.6554	5.0144
NZD/JPY	77.70	-0.03	-0.08	-0.19	-0.51	DKK	4.4750	4.8201
NZD/EUR	0.6005	-0.0004	-0.0013	-0.0027	-0.0061	FJD	1.4521	1.5641
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0005	-0.0015	HKD	5.5630	5.9920
						KRW	809.17	871.58
AU TWI	64.50					MYR	2.9532	3.1810
AUD/USD	0.7705	0.0001	0.0002	0.0004	0.0006	NOK	6.1211	6.5932
AUD/NZD	1.0771	0.0002	0.0006	0.0012	0.0027	SEK	6.1157	6.5873
AUD/JPY	83.67	-0.01	-0.05	-0.11	-0.33	SGD	0.9611	1.0352
AUD/EUR	0.6486	-0.0004	-0.0011	-0.0022	-0.0049	TWD	20.37	21.94
AUD/GBP	0.5565	0.0000	0.0000	0.0000	-0.0002	ZAR	10.6642	11.4866
USD Index	91.92							
EUR/USD	1.1880	0.0008	0.0023	0.0047	0.0100	EQUITIES		
USD/JPY	108.60	-0.03	-0.09	-0.20	-0.52			Index
GBP/USD	1.3846	0.0002	0.0004	0.0007	0.0017	NZX50		12,515
EUR/GBP	0.8580	0.0005	0.0014	0.0030	0.0062	ASX200		6,708
						Dow Jones		32,628
						S&P 500		3,913
						FTSE100		6,709
						DAX 30		14,621
						Nikkei		29,792
						COMMODITIES		
								USD
						Dubai Light		62.49
						Brent Crude		64.53
						Gold		1,744.62
						Silver		26.22
						CRB Index		200.62

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%	0.05%	0.01%
FRA 90d in 3mths	0.36%	0.33%	0.07%	0.04%
FRA 180d in 6mths	0.39%	0.36%	0.15%	0.13%
1 year swap	0.38%	0.35%	0.08%	0.07%
2 year swap	0.53%	0.51%	0.16%	0.14%
3 year swap	0.74%	0.72%	0.32%	0.31%
5 year swap	1.20%	1.18%	0.85%	0.83%
10 year swap	1.99%	1.97%	1.89%	1.87%
10 year Govt bond		1.80%		1.80%

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