

Market Alert

Wednesday 24 March 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7003	-0.0004
NZD/AUD	0.9154	-0.0011
NZD/JPY	76.12	-0.19
NZD/EUR	0.5908	-0.0027
NZD/GBP	0.5088	-0.0006
NZD/CNH	4.5695	0.0605
AUD/USD	0.7650	0.0004
AUD/EUR	0.6453	-0.0022
EUR/USD	1.1854	0.0048
USD/CNH	6.5179	0.0904
GBP/USD	1.3764	0.0007
EUR/GBP	0.8612	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.34%	0.03%
2 year swap	0.42%	0.13%
10 year Govt	1.68%	1.73%

It was all part of the plan!

In what was a general 'risk-off' theme, or quite possibly a meme, overnight the New Zealand Finance Minister and the Governor of the Reserve Bank of New Zealand ("RBNZ"), were the unintentional beneficiaries as New Zealand interest rates and the dollar outperformed to the downside. Of course, this was part of the plan!

To summarise the international moves, 10 year bond yields are lower with the US off 5 points to 1.65%, the bund is down to -0.34, while the AU and NZ yields are off 3 and 6 pips to 1.72% and 1.66% respectively. The USD index has firmed

0.5% which has seen EUR/USD ease to 1.1860, the AUD/USD fell a percent to 0.7655, while the NZD/USD is currently holding at 0.7005. The NZD weakened on the crosses with NZD/AUD below the 0.9200 level at 0.9155, while NZD/CNH has fallen over 2.0% to be at 4.5650.

The data was weak overnight, as US new home sales fell 18.2% to hit a 9 month low and oil tumbled 5.0% following on from last week's 6.0% fall. The catalyst for the new bout of weakness was sparked by COVID-19 fears. Germany extended its lockdown for another month and Angela Merkel's commented "we are in a race to get vaccinations done and the new British variant of COVID-19 means we are effectively in a new pandemic."

Also, the US Fed Chair, Jerome Powell, and Treasury Secretary, Janet Yellen, testified before Congress, where Powell stated "inflation may rise this year on base effects/demand, but the impact on inflation won't be very large or persistent. We have tools to deal with inflation. Some asset prices are a bit high, but funding risks are modest, banks are well capitalized." While Janet Yellen said "tax changes will help to pay for economic programs as we have lost 9.5 million jobs with a jobless rate at over 9.0% if you add in people who have dropped out of the workforce. One of those would be the corporate tax rate rising back to 28.0%."

In New Zealand, the perception that a reduction in investor activity in the domestic housing market will ultimately reduce the need for the Governor to

lift interest rates has, as previously mentioned, seen the local market get hit hard. The futures market has now reduced the pricing of a 25 bps hike in July 2022 from 100% to 68%, with the belly of the curve, the 4 and 5 years, off 8 points. The 10 year, which topped out at 2.19%, is now at 1.87%. Yesterday we also had New Zealand credit card spending which fell 1.9% in February and 12.4% on the year.

Finally, Chinese Premier, Li Keqiang, reiterated that "economic growth this year could exceed 6%. We need to seek a balance between growth, income, and employment, and we cannot pursue economic growth based on high energy consumption and heavy pollution. China needs growth in employment and income and will have to work more on boosting domestic demand and consumption."

Make mine a glazed one, please

Krispy Kreme, in the US, is offering a free doughnut a day to anyone with a COVID-19 vaccination, for the rest of 2021.



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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	73.66					CAD	0.8797	0.9610
NZD/USD	0.7003	-0.0001	-0.0002	-0.0004	-0.0011	CHF	0.6538	0.7142
NZD/AUD	0.9154	-0.0002	-0.0005	-0.0011	-0.0023	CNY	4.5793	5.0025
NZD/JPY	76.12	-0.03	-0.09	-0.19	-0.49	DKK	4.3928	4.7987
NZD/EUR	0.5908	-0.0005	-0.0013	-0.0027	-0.0059	FJD	1.4266	1.5584
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0015	HKD	5.4397	5.9424
						KRW	792.21	865.43
AU TWI	64.10					MYR	2.9121	3.1812
AUD/USD	0.7650	0.0001	0.0003	0.0004	0.0008	NOK	6.0327	6.5902
AUD/NZD	1.0924	0.0003	0.0006	0.0013	0.0027	SEK	6.0130	6.5687
AUD/JPY	83.16	-0.01	-0.05	-0.11	-0.33	SGD	0.9416	1.0286
AUD/EUR	0.6453	-0.0004	-0.0011	-0.0022	-0.0048	TWD	19.92	21.76
AUD/GBP	0.5558	0.0000	0.0000	0.0000	-0.0002	ZAR	10.3686	11.3269
USD Index	92.31							
EUR/USD	1.1854	0.0009	0.0024	0.0048	0.0101	EQUITIES		
USD/JPY	108.72	-0.04	-0.10	-0.20	-0.54		Index	
GBP/USD	1.3764	0.0002	0.0004	0.0007	0.0019	NZX50	12,394	
EUR/GBP	0.8612	0.0005	0.0015	0.0030	0.0062	ASX200	6,745	
						Dow Jones	32,577	
						S&P 500	3,933	
						FTSE100	6,699	
						DAX 30	14,662	
						Nikkei	28,996	
						COMMODITIES		
							USD	
						Dubai Light	61.23	
						Brent Crude	60.81	
						Gold	1,727.56	
						Silver	25.07	
						CRB Index	196.07	

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	0.35%	0.32%	0.06%	0.03%
FRA 180d in 6mths	0.35%	0.32%	0.12%	0.10%
1 year swap	0.35%	0.33%	0.07%	0.05%
2 year swap	0.44%	0.41%	0.14%	0.13%
3 year swap	0.62%	0.60%	0.29%	0.28%
5 year swap	1.07%	1.04%	0.83%	0.73%
10 year swap	1.88%	1.86%	1.75%	1.73%
10 year Govt bond		1.67%		1.73%

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