

Market Alert

Thursday 25 March 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6978	-0.0004
NZD/AUD	0.9184	-0.0010
NZD/JPY	75.85	-0.18
NZD/EUR	0.5902	-0.0027
NZD/GBP	0.5096	-0.0006
NZD/CNH	4.5527	0.0611
AUD/USD	0.7598	0.0004
AUD/EUR	0.6426	-0.0022
EUR/USD	1.1824	0.0047
USD/CNH	6.5261	0.0916
GBP/USD	1.3694	0.0007
EUR/GBP	0.8634	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.34%	0.03%
2 year swap	0.39%	0.13%
10 year Govt	1.52%	1.65%

That looks expensive ...

As if the global shipping industry needs more disruption, a 400 metre long super container ship has run aground and is blocking the Suez Canal, with reports of ships backed up either side of the canal. The 219,079 tonne *MV Ever Given* reportedly lost power and turned sideways in a wind gust. Oil jumped 5.0% on the news, regaining some of its losses seen in the last couple of weeks.

The Canadian dollar remains the top performing G10 currency on a year to

date basis and this looks set to continue even as crude oil prices take a fall. The driver currently is the expected divergence in the central bank policy path and yesterday, during a speech, Deputy Governor, Toni Gravelle, reinforced that prospect by confirming that the BoC was winding down the emergency liquidity programs put in place last year in response to the COVID-19 crisis.

The commodity currencies were driven lower overnight as the NZD/USD, driven by a stronger USD and further market digestion of the New Zealand government's recent housing initiative, fell below 0.7000 and is 6.82% off its February high, trading at 0.6975 at the time of writing. Meanwhile, the AUD/USD slips below 0.7600 on the back of USD strength as the EUR/USD moves below 1.1850. Swap rates in New Zealand have plummeted with the 10 year falling another 10 bps yesterday, with the rest of the curve falling in similar fashion. Swap rates across the Tasman are down a few bps across the curve.

US equities were in the green as steady bond yields and a well received Treasury auction helped boost investor confidence. Demand increased at an auction of treasury notes, a relief after last months disastrous auction which sparked a global selloff in bonds. The US 10 year bond yield stabilised at 1.62%, while the 10 year German bund slipped below -0.35%.

Kuroda, the Tokyo whale

Yesterday, BOJ Governor, Haruhiko Kuroda, told the Japanese Parliament the central bank will continue with powerful monetary easing "*persistently*" and had no plan to start selling its massive holdings of ETFs. "*We have absolutely no plan to unload our ETF holdings. If we were to do so in the future, we must decide on guidelines at a policy-setting meeting.*"

Late last week, the BOJ removed an explicit guidance to buy ETFs at an annual pace of roughly JPY6 trillion in a review of its policy tools. Instead, the BOJ said it would step in only when markets destabilise, with a spending ceiling of JPY12 trillion that was set last year when the initial COVID-19 outbreak hit financial markets.

The BOJ is still the biggest whale in town, owning JPY60 trillion (including JPY13 trillion of unrealised gains) at the end of February, and became the largest owner of Japanese stocks in December last year, surpassing Japan's Government Pension Investment Fund.

The BOJ has been buying ETFs for a decade as part of efforts to drag the world's third-biggest economy out of deflation.



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Daily Rates

Thursday 25 March 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.57					CAD	0.8767	0.9546
NZD/USD	0.6978	-0.0001	-0.0002	-0.0004	-0.0010	CHF	0.6525	0.7105
NZD/AUD	0.9184	-0.0002	-0.0005	-0.0010	-0.0022	CNY	4.5506	4.9549
NZD/JPY	75.85	-0.03	-0.09	-0.18	-0.48	DKK	4.3888	4.7787
NZD/EUR	0.5902	-0.0005	-0.0013	-0.0027	-0.0059	FJD	1.4252	1.5518
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0014	HKD	5.4206	5.9022
						KRW	791.55	861.88
AU TWI	63.50					MYR	2.8854	3.1417
AUD/USD	0.7598	0.0001	0.0002	0.0004	0.0007	NOK	5.9864	6.5183
AUD/NZD	1.0889	0.0003	0.0006	0.0012	0.0026	SEK	6.0019	6.5352
AUD/JPY	82.59	-0.01	-0.05	-0.11	-0.33	SGD	0.9385	1.0218
AUD/EUR	0.6426	-0.0004	-0.0011	-0.0022	-0.0048	TWD	19.91	21.68
AUD/GBP	0.5548	0.0000	0.0000	0.0000	-0.0002	ZAR	10.4110	11.3360
USD Index	92.52							
EUR/USD	1.1824	0.0008	0.0024	0.0047	0.0101	EQUITIES		
USD/JPY	108.71	-0.03	-0.09	-0.20	-0.53			Index
GBP/USD	1.3694	0.0002	0.0004	0.0007	0.0018	NZX50		12,359
EUR/GBP	0.8634	0.0005	0.0015	0.0030	0.0062	ASX200		6,779
						Dow Jones		32,612
						S&P 500		3,918
						FTSE100		6,713
						DAX 30		14,610
						Nikkei		28,406
						COMMODITIES		
								USD
						Dubai Light		60.87
						Brent Crude		64.13
						Gold		1,734.18
						Silver		25.12
						CRB Index		199.69

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%	0.31%	0.06%	0.03%
FRA 180d in 6mths	0.34%	0.31%	0.12%	0.11%
1 year swap	0.35%	0.32%	0.07%	0.05%
2 year swap	0.41%	0.38%	0.13%	0.12%
3 year swap	0.55%	0.53%	0.28%	0.28%
5 year swap	0.95%	0.92%	0.78%	0.68%
10 year swap	1.73%	1.71%	1.74%	1.71%
10 year Govt bond		1.51%		1.65%

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