

# Market Alert

Friday 26 March 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6955	-0.0004
NZD/AUD	0.9174	-0.0010
NZD/JPY	75.90	-0.18
NZD/EUR	0.5907	-0.0027
NZD/GBP	0.5063	-0.0005
NZD/CNH	4.5518	0.0621
AUD/USD	0.7582	0.0004
AUD/EUR	0.6438	-0.0022
EUR/USD	1.1776	0.0046
USD/CNH	6.5504	0.0934
GBP/USD	1.3739	0.0007
EUR/GBP	0.8572	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.35%	0.03%
2 year swap	0.44%	0.14%
10 year Govt	1.58%	1.68%

## There was a fair bit of chat last night

So let's quickly skim through the data ... US fourth quarter GDP was revised up to 4.3% from 4.1%, although the price index was scaled back to 2.0% from 2.1%. Meanwhile initial claims hit their lowest level since the pandemic started at 'just' 684,000, while continuing claims fell to 3,870,000. In Europe, the German GfK consumer indicator rallied to -6.2 against a -11.9 forecast, and UK retail sales flatlined at -45 in March, unchanged from the previous month.

Chicago Fed President, Charles, ('just call me Chuck') Evans, was giving his outlook for the economy and stated, "it's extraordinary that 10 year rates are as low as they are, given all the fiscal spending. With robust economic recovery, we ought to see inflation get up to 2%. There will be transitory price increases this year, but we will struggle to get 2.0% inflation in 2022. I expect 6.5% GDP growth this year, the US unemployment rate to drop to around 4.5% this year, and unemployment under 4% in 2022. Looks like we will have a very robust recovery in 2022, although I suspect it will be 2024 before we hike rates."

Then, San Francisco Federal Reserve member, Mary Daly, added "the US economy is a 'long way' from its goals. I expect a pretty strong economic bounce back in the fall, more moderate growth after that, and not seeing much pressure on wages at all."

The BoE Chief Economist, and MPC member, Andy Haldane, stated the "economic recovery will come quickly. People are desperate to get out and spend. UK excess savings is around GDP150 billion meaning a 'rip roaring recovery' is possible if UK savings are spent."

Finally, the ECB's De Guindos announced, "the Eurozone is very likely to shrink in H1."

One of the local banks have forecast the RBA will force rates higher later this year

as, "fixed rate mortgage rates will rise in the second half of the year due to the end of the term funding facility and the likelihood that the RBA chooses not to roll the yield curve control. We're expecting the regulator to step in with macroprudential controls later this year."

## The view from here

Last night saw the USD index move above the 92.46 resistance level, implying the index has the potential to rally a further 2.0% to the 94.47 level, and this has significant consequences for the NZD as it opens up weekly trend and month-end targets. This saw the Euro, AUD and NZD all weakening, while the EUR/USD broke the 1.18 level to be at 1.1775.

Equities were flat with, as a generalisation, Europe up a touch and the US slightly lower, while commodities were mixed with oil off 4.0%. Bonds yields are flat with the US 10 year treasury bond at 1.62%

As if international supply chains weren't experiencing enough issues, there are currently 237 vessels queuing at the Suez Canal, with Maersk and Hapag-Lloyd considering diverting ships around Africa. Estimates on when the *Ever Given* can be moved, range from days to weeks. Maybe the ship should be re-christened the '*Never Ever Given!*'



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# Daily Rates

Friday 26 March 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.50					CAD	0.8774	0.9564
NZD/USD	0.6955	-0.0001	-0.0002	-0.0004	-0.0011	CHF	0.6533	0.7121
NZD/AUD	0.9174	-0.0002	-0.0005	-0.0010	-0.0023	CNY	4.5494	4.9590
NZD/JPY	75.90	-0.03	-0.08	-0.18	-0.48	DKK	4.3925	4.7879
NZD/EUR	0.5907	-0.0005	-0.0013	-0.0027	-0.0059	FJD	1.4407	1.5705
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0005	-0.0014	HKD	5.4032	5.8897
						KRW	790.20	861.34
AU TWI	63.60					MYR	2.8919	3.1522
AUD/USD	0.7582	0.0001	0.0002	0.0004	0.0007	NOK	6.0087	6.5497
AUD/NZD	1.0900	0.0003	0.0006	0.0012	0.0027	SEK	6.0188	6.5607
AUD/JPY	82.74	-0.01	-0.04	-0.11	-0.32	SGD	0.9381	1.0225
AUD/EUR	0.6438	-0.0003	-0.0010	-0.0022	-0.0048	TWD	19.90	21.69
AUD/GBP	0.5518	0.0000	0.0000	0.0000	-0.0002	ZAR	10.4665	11.4089
USD Index	92.78							
EUR/USD	1.1776	0.0008	0.0023	0.0046	0.0100	<b>EQUITIES</b>		
USD/JPY	109.14	-0.03	-0.09	-0.20	-0.53		<b>Index</b>	
GBP/USD	1.3739	0.0002	0.0004	0.0007	0.0018	NZX50	12,388	
EUR/GBP	0.8572	0.0005	0.0014	0.0029	0.0062	ASX200	6,791	
						Dow Jones	32,534	
						S&P 500	3,896	
						FTSE100	6,675	
						DAX 30	14,621	
						Nikkei	28,730	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	61.17	
						Brent Crude	61.88	
						Gold	1,729.96	
						Silver	25.14	
						CRB Index	195.90	

  

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	0.37%	0.33%	0.05%	0.01%
FRA 90d in 3mths	0.36%	0.33%	0.07%	0.04%
FRA 180d in 6mths	0.36%	0.33%	0.12%	0.10%
1 year swap	0.36%	0.33%	0.07%	0.05%
2 year swap	0.45%	0.42%	0.14%	0.13%
3 year swap	0.61%	0.58%	0.29%	0.28%
5 year swap	1.02%	0.99%	0.80%	0.70%
10 year swap	1.82%	1.79%	1.71%	1.69%
10 year Govt bond		1.56%		1.68%

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