

Market Alert

Tuesday 30 March 2021

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6998 | -0.0004 |
| NZD/AUD | 0.9170 | -0.0010 |
| NZD/JPY | 76.85 | -0.19 |
| NZD/EUR | 0.5948 | -0.0027 |
| NZD/GBP | 0.5084 | -0.0005 |
| NZD/CNH | 4.5759 | 0.0621 |
| AUD/USD | 0.7632 | 0.0004 |
| AUD/EUR | 0.6487 | -0.0022 |
| EUR/USD | 1.1765 | 0.0047 |
| USD/CNH | 6.5754 | 0.0923 |
| GBP/USD | 1.3765 | 0.0007 |
| EUR/GBP | 0.8547 | 0.0029 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 0.25% | 0.10% |
| 90 day bills | 0.34% | 0.03% |
| 2 year swap | 0.43% | 0.16% |
| 10 year Govt | 1.68% | 1.69% |

A quiet session in amongst the noise

In amongst the fallout from the Archegos Capital Management, the Bill Hwang family office where USD200 million was turned into USD20 billion, and will most likely be returned to USD2 million, US equities remained relatively calm and are flat on the day. European and Asian markets, where family-office leverage isn't as widely used, saw bourses enjoy modest 0.5-1.0% gains which, to be fair, feels about right given that there were no data releases. In fact, the most inspiring news overnight was that of the Ever Given being freed!

With oil pricing pressures subsiding on the *Ever Given* re-float, it was interesting to note that both West Texas and Brent Crude remained above the USD60 level to be at USD61.51 and USD64.99 as traders maintained a modest bid-tone as their focus turned to the OPEC+ policy discussions on Thursday.

The fixed income markets also saw yields rise with the US 10 year up 2 basis points to 1.72%, while the bund advanced 3 basis points to -0.32%. Unfortunately, currencies were not particularly exciting either, as we await quarter end rebalancing flows with the NZD and AUD a touch firmer.

In Europe, ECB chief economist, Philip Lane, announced "*The ECB must remain a key stabiliser of the euro zone economy and boosts confidence by committing to the preservation of favourable financing conditions*" while German Chancellor Angela Merkel, added that the country needs curfews and she may use Federal law to tighten restrictions.

According to rumour, later this week, President Biden will unveil his USD3 trillion infrastructure stimulus program, while reports from Washington imply that while the President is not ready to lift tariffs on Chinese imports, he may be open to trade talks. Which is unlike the US Trade Representative Katherine Tai, who has spoken with 14 international trade officials during her first week in office, except China!

Finally, this week the Australian COVID-19 wage subsidy officially ends, with 100,000 jobs expected to be lost.

Watch out for leverage!

Overnight, stocks at the centre of the USD20 billion block trade Archegos selling spree remained under pressure as the ramifications continued to be felt. In what has become a race for the exit door, the block sales initiated by Goldman Sachs and Morgan Stanley were triggered after Archegos failed to meet margin calls, leaving Nomura and Credit Suisse facing potentially 'significant' losses with both stocks down 15%. Looking at the individual stocks, ViacomCBS fell 11% after a further USD2.1 billion block trade was offered to the market, while Discovery dropped about 5%.

All up, the Bill Hwang blow-up must be one of the most spectacular personal losses of wealth in history with USD20 billion in liquid net worth destroyed. The question now is, have the leveraged exposures been closed out for the market to revert to trend, or, is this a larger systemic risk to the US financial system?

Amusingly, in a general market commentary, Goldman Sachs announced they remain broadly pro-risk, but "*there is more vulnerability to shocks.*" Should the word 'self-induced' be incorporated into that line?



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Daily Rates

Tuesday 30 March 2021

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------|--------|------------|---------|---------|---------|--------------------|---------|--------------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 73.92 | | | | | CAD | 0.8815 | 0.9613 |
| NZD/USD | 0.6998 | 0.0000 | -0.0001 | -0.0004 | -0.0010 | CHF | 0.6572 | 0.7167 |
| NZD/AUD | 0.9170 | -0.0002 | -0.0005 | -0.0010 | -0.0022 | CNY | 4.6020 | 5.0188 |
| NZD/JPY | 76.85 | -0.03 | -0.09 | -0.19 | -0.49 | DKK | 4.4235 | 4.8241 |
| NZD/EUR | 0.5948 | -0.0004 | -0.0013 | -0.0027 | -0.0059 | FJD | 1.4466 | 1.5776 |
| NZD/GBP | 0.5248 | -0.0001 | -0.0003 | -0.0005 | -0.0014 | HKD | 5.4392 | 5.9318 |
| | | | | | | KRW | 792.85 | 864.66 |
| AU TWI | 63.90 | | | | | MYR | 2.8904 | 3.1521 |
| AUD/USD | 0.7632 | 0.0001 | 0.0003 | 0.0004 | 0.0007 | NOK | 5.9838 | 6.5257 |
| AUD/NZD | 1.0906 | 0.0002 | 0.0006 | 0.0012 | 0.0027 | SEK | 6.0870 | 6.6383 |
| AUD/JPY | 83.82 | -0.01 | -0.05 | -0.11 | -0.33 | SGD | 0.9437 | 1.0291 |
| AUD/EUR | 0.6487 | -0.0003 | -0.0010 | -0.0022 | -0.0049 | TWD | 19.98 | 21.78 |
| AUD/GBP | 0.5544 | 0.0000 | 0.0000 | 0.0000 | -0.0002 | ZAR | 10.4454 | 11.3915 |
| USD Index | 92.94 | | | | | | | |
| EUR/USD | 1.1765 | 0.0008 | 0.0023 | 0.0047 | 0.0101 | EQUITIES | | |
| USD/JPY | 109.83 | -0.04 | -0.10 | -0.21 | -0.54 | | | Index |
| GBP/USD | 1.3765 | 0.0002 | 0.0004 | 0.0007 | 0.0019 | NZX50 | | 12,368 |
| EUR/GBP | 0.8547 | 0.0004 | 0.0014 | 0.0029 | 0.0062 | ASX200 | | 6,799 |
| | | | | | | Dow Jones | | 33,163 |
| | | | | | | S&P 500 | | 3,966 |
| | | | | | | FTSE100 | | 6,736 |
| | | | | | | DAX 30 | | 14,818 |
| | | | | | | Nikkei | | 29,385 |
| | | | | | | | | |
| | | | | | | COMMODITIES | | |
| | | | | | | | | USD |
| | | | | | | Dubai Light | | 62.03 |
| | | | | | | Brent Crude | | 64.99 |
| | | | | | | Gold | | 1,710.52 |
| | | | | | | Silver | | 24.62 |
| | | | | | | CRB Index | | 199.29 |

| 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 | 0.37% | 0.34% | 0.14% | 0.12% |
| 1 year swap | 0.37% | 0.34% | 0.08% | 0.06% |
| 2 year swap | 0.45% | 0.42% | 0.16% | 0.15% |
| 3 year swap | 0.61% | 0.58% | 0.30% | 0.29% |
| 5 year swap | 1.03% | 1.00% | 0.79% | 0.77% |
| 10 year swap | 1.83% | 1.81% | 1.80% | 1.78% |
| 10 year Govt bond | | 1.66% | | 1.69% |

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