

Market Alert

Wednesday 31 March 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6977	-0.0004
NZD/AUD	0.9195	-0.0010
NZD/JPY	76.98	-0.19
NZD/EUR	0.5954	-0.0027
NZD/GBP	0.5085	-0.0006
NZD/CNH	4.6078	0.0626
AUD/USD	0.7587	0.0004
AUD/EUR	0.6476	-0.0022
EUR/USD	1.1716	0.0047
USD/CNH	6.5738	0.0934
GBP/USD	1.3720	0.0008
EUR/GBP	0.8540	0.0030

INTRATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.35%	0.04%
2 year swap	0.46%	0.17%
10 year Govt	1.76%	1.78%

A boost to Chinese bonds

Chinese government bonds (CGBs) will be included in the FTSE World Government Bond Index (WGFI) from the end of October 2021 and will be phased in over a 3 year period.

According to HSBC, with approximately USD2.5 trillion tracking the WGFI, some USD130 billion of CGBs will eventually be required given that China's weighting will be 5.25%. This will equate to about USD3.6 billion of purchases a month. To provide some context, foreign investors currently hold approximately USD318.7 billion of Chinese government bonds.

This morning, Pimco warned clients against falling for an "inflation head-fake" arguing that a lot of economic good news had already been priced in with the asset manager believing the near term rise in inflation will eventually fade. This news saw the US 30 year breakeven fall back below 2.30% although the 10 year is still at 1.72%. Interestingly, the 10 year German bund gained 3 pips to -0.29%, while NZ and Australian 10 year yields jumped 8 and 9 basis points to 1.75% and 1.77% respectively.

Overnight the USD index reversed yesterday's sell-off to hit a new high for the year, which saw the NZD and AUD give up yesterday's gains and the EUR/USD fell back towards the 1.1700 level. While the FX moves have been small, CitiBank have forecasted that tonight's month end rebalancing flows point to moderate USD selling. Equity markets, as a generalisation, are off 0.5% in the US, while European bourses were up 1.0%.

In terms of the actual data overnight, German CPI hit its highest level since February 2020 at 1.7% year-on-year, US consumer confidence surged to its highest level in a year with both current conditions (110) and expectations (109.6) rising 20 points or so from the previous reading, and the CoreLogic Case-Shiller house price index jumped 11.1% in January. In Japan, February's unemployment rate was at 2.9%

(expected 3.0%) and retail sales printed at 3.1% (vs. expected 0.8%).

More questions than answers

The Government has, essentially, advised New Zealand investors not to purchase properties to rent, but has 'offered' support for new builds. So, with a timber shortage, and yesterday's 18.2% fall in building permits for February, what could be easier?

Canada's COVID-19 Science Advisory Board announced the pandemic is now 'completely out of control' in Ontario as new daily infections surged, while the number of hospitalizations is 20% higher than at the start of the last province wide lockdown. Meanwhile, Germany has restricted use of the AstraZeneca vaccine for people under 60 due to blood clotting concerns. I guess if you're over 60, blood-clotting is not an issue, right?

After losing something in the region of USD30-50 billion, I think the Archegos company spokeswoman summed it up best when she said "*this is a challenging time for the family office of Archegos Capital Management, our partners and employees. All plans are being discussed as Mr Hwang and the team determine the best path forward.*" Is that a bit of an understatement?

Turkish President, Tayyip Erdogan, has fired the deputy governor of the Turkish central bank. Should we be surprised?



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Wednesday 31 March 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.88					CAD	0.8815	0.9587
NZD/USD	0.6977	0.0000	-0.0001	-0.0004	-0.0011	CHF	0.6573	0.7148
NZD/AUD	0.9195	-0.0002	-0.0005	-0.0010	-0.0023	CNY	4.5902	4.9921
NZD/JPY	76.98	-0.03	-0.09	-0.19	-0.50	DKK	4.4281	4.8157
NZD/EUR	0.5954	-0.0004	-0.0013	-0.0027	-0.0061	FJD	1.4416	1.5678
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0015	HKD	5.4240	5.8989
						KRW	791.82	861.15
AU TWI	64.20					MYR	2.9086	3.1632
AUD/USD	0.7587	0.0001	0.0003	0.0004	0.0007	NOK	5.9648	6.4869
AUD/NZD	1.0875	0.0002	0.0006	0.0012	0.0027	SEK	6.0929	6.6263
AUD/JPY	83.72	-0.02	-0.05	-0.11	-0.34	SGD	0.9406	1.0229
AUD/EUR	0.6476	-0.0003	-0.0011	-0.0022	-0.0050	TWD	19.90	21.64
AUD/GBP	0.5530	0.0000	0.0000	0.0000	-0.0003	ZAR	10.4066	11.3177
USD Index	93.32							
EUR/USD	1.1716	0.0008	0.0023	0.0047	0.0103	EQUITIES		
USD/JPY	110.35	-0.04	-0.10	-0.21	-0.55			Index
GBP/USD	1.3720	0.0002	0.0004	0.0008	0.0019	NZX50		12,447
EUR/GBP	0.8540	0.0005	0.0014	0.0030	0.0063	ASX200		6,738
						Dow Jones		33,080
						S&P 500		3,957
						FTSE100		6,772
						DAX 30		15,009
						Nikkei		29,433
						COMMODITIES		
								USD
						Dubai Light		62.89
						Brent Crude		64.07
						Gold		1,682.58
						Silver		23.90
						CRB Index		196.46

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.28%	0.24%	0.03%	0.01%
90 day bank bills	0.37%	0.33%	0.06%	0.02%
FRA 90d in 3mths	0.37%	0.34%	0.08%	0.05%
FRA 180d in 6mths	0.38%	0.35%	0.16%	0.14%
1 year swap	0.38%	0.35%	0.09%	0.07%
2 year swap	0.48%	0.45%	0.18%	0.17%
3 year swap	0.66%	0.63%	0.35%	0.34%
5 year swap	1.11%	1.09%	0.87%	0.85%
10 year swap	1.93%	1.91%	1.83%	1.81%
10 year Govt bond		1.74%		1.78%

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED