

# Market Alert

Friday 5 March 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7182	-0.0005
NZD/AUD	0.9312	-0.0012
NZD/JPY	77.48	-0.21
NZD/EUR	0.5999	-0.0028
NZD/GBP	0.5171	-0.0007
NZD/CNH	4.6786	0.0562
AUD/USD	0.7712	0.0004
AUD/EUR	0.6442	-0.0022
EUR/USD	1.1971	0.0048
USD/CNH	6.4919	0.0832
GBP/USD	1.3890	0.0008
EUR/GBP	0.8618	0.0030

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.31%	0.04%
2 year swap	0.53%	0.20%
10 year Govt	1.85%	1.77%

## Powell disappoints

Overnight, Fed Chair, Jerome Powell, spoke at a WSJ event and discussed the state of the US economy, and, with the recent focus on yields, you can guess what everyone was waiting for!

Unfortunately, the most he said was that the recent movements had caught his eye and that he “would be concerned by disorderly conditions and a persistent tightening of financial conditions.”

Powell also said the Fed is content with the current asset purchases, suggesting there will be no extension of duration or QE twist. He repeated the mantra that

the Fed is a long way away from where it wants to be with the real unemployment rate at 10.0%.

And, on cue, initial claims came in at 745,000 – slightly worse than last weeks revised 736,000 – while manufactured goods rose by 2.6% which is the largest increase since last July.

The reality is that the Fed policy remains very loose and Jerome Powell is showing that he will not be bullied by the markets. This has seen 10 year US yields rise to 1.53% and bunds surge to -0.31%, although the big movers have been the New Zealand and Australian yields, which are up 10 pips to 1.83% and 1.76% respectively.

In amongst this, the USD has bounced back to a 1-month high, which has seen the EUR/USD, AUD/USD and NZD/USD all ease to 1.1985, 0.7735 and 0.7200.

Other FED comments overnight included those of Chicago Fed President, Charles Evans; “yields are increasing due to real factors, like vaccines. A stronger economy would make real rates go up. Not thinking about yield-curve control (but the) Fed could lengthen maturity of bond buying if needed.” Philly Fed President, Patrick Harker, then added “if a rate hike happens, it may be toward end of 2023.”

Meanwhile, the Reserve Bank of New Zealand (“RBNZ”) Governor, Adrian Orr, reiterated that central banks globally are aiming to overshoot inflation targets,

while domestically, two local banks are forecasting NZD7.70/kgms for the farm-gate milk price.

Following its strong GDP print, the Australian data continues to go from strength to strength with a world record (in Australia) January trade surplus of AUD10.142 billion, which exceeded the AUD6.85 billion forecast.

In a perfect storm, exports were up 6.0% on the month while imports were down 2.0%. Australia produced a record surplus in 2020 of AUD72.7 billion and, with high iron ore and copper prices even higher, 2021 will produce another record surplus. Meanwhile, Australian retail sales for the January month came in at +0.5%, just below the +0.6% forecast.

Head of Financial Stability, Jonathan Kearns, announced the Reserve Bank of Australia (“RBA”) “is watching borrowers’ ability to repay as some households and firms will have struggles repaying debt, and it’s important that there is no deterioration in lending quality.”

Reuters report that China’s USD1 trillion sovereign wealth fund, China Investment Corp (“CIC”), is scouting for long-term investments in the United States having established a USD5 billion fund with Goldman Sachs.

OPEC+ decided to keep a tight limit on oil production next month, sending prices soaring, while nickel is down 8.2%.



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

**Barrington**  
TREASURY SERVICES

**Barrington**  
ASSET CONSULTING



**BANCORP**

BANCORP CORPORATE FINANCE LIMITED

# Daily Rates

Friday 5 March 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.06					CAD	0.9112	0.9785
NZD/USD	0.7182	0.0000	-0.0002	-0.0005	-0.0015	CHF	0.6675	0.7168
NZD/AUD	0.9312	-0.0002	-0.0006	-0.0012	-0.0026	CNY	4.6883	5.0346
NZD/JPY	77.48	-0.03	-0.10	-0.21	-0.54	DKK	4.4610	4.7906
NZD/EUR	0.5999	-0.0005	-0.0014	-0.0028	-0.0061	FJD	1.4571	1.5648
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0007	-0.0017	HKD	5.5724	5.9841
						KRW	813.06	873.13
AU TWI	64.40					MYR	2.9467	3.1644
AUD/USD	0.7712	0.0001	0.0003	0.0004	0.0005	NOK	6.1755	6.6317
AUD/NZD	1.0739	0.0003	0.0007	0.0014	0.0030	SEK	6.1058	6.5569
AUD/JPY	83.20	-0.02	-0.05	-0.12	-0.35	SGD	0.9606	1.0316
AUD/EUR	0.6442	-0.0003	-0.0010	-0.0022	-0.0048	TWD	19.99	21.47
AUD/GBP	0.5552	0.0000	0.0001	0.0000	-0.0003	ZAR	10.9949	11.8072
USD Index	91.54							
EUR/USD	1.1971	0.0009	0.0024	0.0048	0.0099	<b>EQUITIES</b>		
USD/JPY	107.90	-0.04	-0.11	-0.22	-0.53			<b>Index</b>
GBP/USD	1.3890	0.0002	0.0004	0.0008	0.0017	NZX50		12,225
EUR/GBP	0.8618	0.0005	0.0015	0.0030	0.0060	ASX200		6,761
						Dow Jones		30,609
						S&P 500		3,765
						FTSE100		6,651
						DAX 30		14,056
						Nikkei		28,930
						<b>COMMODITIES</b>		
								<b>USD</b>
						Dubai Light		62.03
						Brent Crude		66.67
						Gold		1,693.19
						Silver		25.15
						CRB Index		203.21

  

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	0.33%	0.29%	0.06%	0.02%
FRA 90d in 3mths	0.36%	0.33%	0.09%	0.04%
FRA 180d in 6mths	0.44%	0.41%	0.17%	0.13%
1 year swap	0.38%	0.35%	0.09%	0.08%
2 year swap	0.54%	0.52%	0.20%	0.19%
3 year swap	0.76%	0.73%	0.39%	0.37%
5 year swap	1.23%	1.20%	0.86%	0.84%
10 year swap	2.02%	2.00%	1.88%	1.86%
10 year Govt bond		1.83%		1.77%

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