

Market Alert

Monday 8 March 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7164	-0.0005
NZD/AUD	0.9326	-0.0013
NZD/JPY	77.64	-0.21
NZD/EUR	0.6011	-0.0028
NZD/GBP	0.5179	-0.0007
NZD/CNH	4.6693	0.0580
AUD/USD	0.7682	0.0005
AUD/EUR	0.6447	-0.0022
EUR/USD	1.1914	0.0048
USD/CNH	6.5164	0.0858
GBP/USD	1.3830	0.0008
EUR/GBP	0.8615	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.32%	0.04%
2 year swap	0.56%	0.16%
10 year Govt	1.93%	1.83%

Joe will be happy

In early news, the US Senate has passed the USD1.9 trillion stimulus bill. The bill now heads back to the House where a vote will be held on Tuesday with Democrats hoping it will be signed into law shortly afterwards.

The Bill passed 50-49 and received the immediate support of US Treasury Secretary, Janet Yellen, who tweeted *"The Senate took a critical step today. With the economy down 9.5 million jobs since February 2020, it could be two years before the Labour market simply reaches its pre-pandemic level. These high rates of job loss*

threaten the wellbeing of workers and their families."

Friday saw the opening of the National People's Congress ("NPC"), China's main legislature body. This year's meeting has added significance because of the release of a new 5 year plan covering 2021-2025. Some of the key goals already outlined include strengthening consumer demand, investing in hi-tech industries, and addressing long-term challenges such as an aging population. The leadership also announced an economic growth target at above 6.0% for the year although economists predict the economy could expand as much as 8.4% this year. In addition, the Chinese government plans to add more than 11 million urban jobs and generate a budget deficit of 3.2% of GDP. Should everything fall into place, China is on-course to become the world's largest economy by 2028.

One thing that will help the NPC is a trade surplus, and boy, do they have one! China reported a surplus of USD103.25 billion in January and February 2021 combined, rebounding sharply from a USD 7.21 billion deficit in the same period a year earlier, and easily beating market consensus of a USD60 billion surplus.

The surplus was driven by a large jump in exports, which surged 60.6% year-on-year, far above market estimates of a 38.9% rise and accelerating from the 18.1% jump in December 2020.

Friday night was all about non-farm payrolls with 379,000 jobs created, almost double the expected 200,000. While the jobs report was strong, the damage to the labour market has been substantial with 9.5 million jobs remaining lost since the start of the pandemic. At February's pace, the US is still 10 months away from a full recovery. Unemployment didn't improve as much, dropping from 6.3% to 6.2%.

Fed member, James Bullard, was on the newswires stating *"Fed policy can be less pre-emptive on inflation. We may see more inflation in 2021, 2022 than we are used to."*

Market impact

Following on from the non-farm payroll numbers, US equity markets rallied into the weeks close with the 3 main bourses up 1.5-2.0%. This contrasted with European bourses which were mixed, while Asian markets all closed weaker.

Bond markets also sold off, which pushed yields higher with the US 10 year Treasury closing at 1.58%, the bund at -0.34%, while NZ and AU yields ended the week at 1.91% and 1.82% respectfully.

Most interestingly, the NZ futures market is now pricing in a full 25 basis point OCR hike by May 2022 although the NZD/USD and AUD/USD remain weak due to a stronger USD opening this morning at 0.7165 and 0.7680.



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Daily Rates

Monday 8 March 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.06					CAD	0.9071	0.9727
NZD/USD	0.7164	0.0000	-0.0002	-0.0005	-0.0015	CHF	0.6661	0.7142
NZD/AUD	0.9326	-0.0002	-0.0007	-0.0013	-0.0027	CNY	4.6501	4.9864
NZD/JPY	77.64	-0.03	-0.10	-0.21	-0.55	DKK	4.4706	4.7940
NZD/EUR	0.6011	-0.0005	-0.0014	-0.0028	-0.0062	FJD	1.4660	1.5721
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0007	-0.0018	HKD	5.5621	5.9643
						KRW	806.86	865.22
AU TWI	63.90					MYR	2.9100	3.1204
AUD/USD	0.7682	0.0002	0.0004	0.0005	0.0006	NOK	6.1317	6.5751
AUD/NZD	1.0723	0.0002	0.0008	0.0015	0.0031	SEK	6.1165	6.5589
AUD/JPY	83.22	-0.02	-0.04	-0.12	-0.36	SGD	0.9614	1.0309
AUD/EUR	0.6447	-0.0003	-0.0010	-0.0022	-0.0048	TWD	19.99	21.44
AUD/GBP	0.5554	0.0000	0.0001	0.0000	-0.0003	ZAR	11.0147	11.8113
USD Index	91.98							
EUR/USD	1.1914	0.0009	0.0024	0.0048	0.0099	EQUITIES		
USD/JPY	108.34	-0.04	-0.11	-0.22	-0.54			Index
GBP/USD	1.3830	0.0002	0.0005	0.0008	0.0019	NZX50		12,180
EUR/GBP	0.8615	0.0005	0.0015	0.0030	0.0060	ASX200		6,711
						Dow Jones		31,496
						S&P 500		3,842
						FTSE100		6,631
						DAX 30		13,921
						Nikkei		28,864
						COMMODITIES		
								USD
						Dubai Light		66.44
						Brent Crude		69.36
						Gold		1,699.90
						Silver		25.21
						CRB Index		205.57

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	0.34%	0.30%	0.06%	0.02%
FRA 90d in 3mths	0.37%	0.34%	0.09%	0.04%
FRA 180d in 6mths	0.45%	0.42%	0.18%	0.14%
1 year swap	0.39%	0.35%	0.10%	0.09%
2 year swap	0.58%	0.55%	0.16%	0.15%
3 year swap	0.81%	0.78%	0.35%	0.34%
5 year swap	1.29%	1.26%	0.98%	0.88%
10 year swap	2.08%	2.05%	1.86%	1.83%
10 year Govt bond		1.91%		1.83%

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