

Market Alert

Wednesday 14 April 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7058	-0.0005
NZD/AUD	0.9229	-0.0012
NZD/JPY	76.96	-0.20
NZD/EUR	0.5905	-0.0027
NZD/GBP	0.5131	-0.0006
NZD/CNH	4.6169	0.0586
AUD/USD	0.7647	0.0004
AUD/EUR	0.6398	-0.0021
EUR/USD	1.1952	0.0047
USD/CNH	6.5419	0.0879
GBP/USD	1.3754	0.0007
EUR/GBP	0.8690	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.32%	0.04%
2 year swap	0.46%	0.16%
10 year Govt	1.74%	1.81%

A whole lot of data

There is a whole lot of data, but don't get sucked in by the annual prints!

The US inflation rate hit a 2-year high after CPI jumped to 2.6% in the year to March, up from 1.7% in February. The print was slightly above market forecasts of 2.5%, and it is the highest reading since August 2018. On the month, CPI increased to 0.6%. The main pressure came from energy prices with gasoline, electricity and gas prices all rallying strongly.

We also saw a bump in wholesale prices in Germany with the index rising +1.7%

on the month and +4.4% on the year, up against the previous prints of 1.4% and 2.3%. As with a lot of headline data these days, the numbers were boosted by higher input costs due to supply constraints. We also had the German ZEW survey, which was slightly contractionary, with the expectations survey falling to 70.7 from 79.0 while the current trading environment improved from a dour -54.1 to -48.8.

In the UK, the February monthly GDP print came in lower at +0.4% versus the +0.5 expected, which saw the rolling 3 month GDP number show a -1.6% contraction.

Meanwhile, the UK visible (physical goods, not services) trade balance fell to -GBP16.4 billion in February against an expected -GBP10.4 billion fall. The numbers were also made worse by the January revision which decreased to -GBP12.6 billion from -GBP9.8 billion.

The Chinese Q1 trade balance data showed exports grew +38.7% and imports increased 19.3% on the year to produce a trade surplus of CNY759.29 billion. A spokesman for China's Customs Bureau stated that "*China's foreign trade has been recovering and growing although the international economic landscape remains grim and complicated. The high comparison base will bring challenges to trade growth in Q2 of this year.*" This was then followed by a PBoC adviser who announced the

central bank should make a contingency plan to cope with possible Fed policy changes to avoid credit contraction and inflation expectations from intensifying in China.

As referenced, it is important to view the annual headline numbers with a degree of scepticism given that 12 months ago the COVID-19 pandemic spread occurred. Yes, the data was all inflationary, apart from the UK trade data, the S&P and Stoxx all rose again, but while the headline prints exceeded expectations, investors are speculating the acceleration has not been fast enough to warrant any changes to central bank policies.

In amongst this, strong demand at the US 30-year bond auction has kept the USD under pressure as worries of a sustained break higher in Treasury yields are fading with the 10 year down 4 bps to 1.62%, although the bund firmed to -0.29%, while the NZD and AUD firmed.

In central bank rhetoric

The BoJ Governor, Haruhiko Kuroda, announced "*easy monetary policy will continue for a long time,*" the Fed's Rosengren added there is "*no hurry for the Fed to raise rates*" and the BoE's Chief Economist, Andy Haldane, announced he will step down in June, removing the MPC's most outspoken contrarian commentator and inflation hawk.



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Daily Rates

Wednesday 14 April 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.32					CAD	0.8843	0.9582
NZD/USD	0.7058	-0.0001	-0.0002	-0.0005	-0.0012	CHF	0.6494	0.7037
NZD/AUD	0.9229	-0.0002	-0.0007	-0.0012	-0.0024	CNY	4.6048	4.9895
NZD/JPY	76.96	-0.03	-0.09	-0.20	-0.50	DKK	4.3917	4.7585
NZD/EUR	0.5905	-0.0005	-0.0013	-0.0027	-0.0060	FJD	1.4481	1.5690
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0016	HKD	5.4854	5.9437
						KRW	791.31	857.42
AU TWI	63.70					MYR	2.9083	3.1512
AUD/USD	0.7647	0.0001	0.0003	0.0004	0.0007	NOK	5.9806	6.4802
AUD/NZD	1.0835	0.0003	0.0008	0.0014	0.0028	SEK	6.0062	6.5080
AUD/JPY	83.39	-0.01	-0.04	-0.11	-0.33	SGD	0.9461	1.0251
AUD/EUR	0.6398	-0.0003	-0.0010	-0.0021	-0.0049	TWD	20.10	21.78
AUD/GBP	0.5560	0.0000	0.0000	0.0000	-0.0002	ZAR	10.2429	11.0985
USD Index	91.84							
EUR/USD	1.1952	0.0008	0.0023	0.0047	0.0102	EQUITIES		
USD/JPY	109.06	-0.03	-0.09	-0.20	-0.53			Index
GBP/USD	1.3754	0.0001	0.0004	0.0007	0.0019	NZX50		12,656
EUR/GBP	0.8690	0.0005	0.0014	0.0029	0.0063	ASX200		6,977
						Dow Jones		33,679
						S&P 500		4,143
						FTSE100		6,890
						DAX 30		15,234
						Nikkei		29,752
						COMMODITIES		
								USD
						Dubai Light		61.36
						Brent Crude		63.93
						Gold		1,744.68
						Silver		25.34
						CRB Index		199.93

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	0.34%	0.30%	0.06%	0.02%
FRA 90d in 3mths	0.34%	0.31%	0.08%	0.05%
FRA 180d in 6mths	0.37%	0.34%	0.15%	0.13%
1 year swap	0.36%	0.33%	0.08%	0.07%
2 year swap	0.47%	0.45%	0.17%	0.16%
3 year swap	0.65%	0.63%	0.32%	0.31%
5 year swap	1.09%	1.07%	0.86%	0.76%
10 year swap	1.89%	1.86%	1.75%	1.73%
10 year Govt bond		1.73%		1.81%

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