

# Market Alert

Thursday 15 April 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7144	-0.0005
NZD/AUD	0.9243	-0.0012
NZD/JPY	77.78	-0.20
NZD/EUR	0.5963	-0.0027
NZD/GBP	0.5184	-0.0006
NZD/CNH	4.6641	0.0602
AUD/USD	0.7728	0.0005
AUD/EUR	0.6452	-0.0021
EUR/USD	1.1979	0.0047
USD/CNH	6.5297	0.0888
GBP/USD	1.3781	0.0007
EUR/GBP	0.8692	0.0030

  

INTRATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.32%	0.04%
2 year swap	0.44%	0.17%
10 year Govt	1.69%	1.75%

## Steady as she goes

So, no surprises and no shocks from The Reserve Bank of New Zealand (“RBNZ”), but there were plenty of warnings as *“Economic activity in New Zealand slowed over the summer months. Medium-term inflation and employment would likely remain below its remit targets in the absence of prolonged monetary stimulus. The outlook remains highly uncertain. Business credit growth and investment remains subdued. The Committee agreed that it was prepared to lower the OCR if required.”*

The trans-Tasman travel bubble and the extent of the dampening effect of the Government’s new housing policies were

also referred to in yesterday’s Monetary Policy Statement, although their impact on CPI and employment will take time to filter through.

Following the meeting, the NZD eventually decided higher was better and attacked the 0.7060 resistance level as traders sought comfort from the fact that the RBNZ had finished its easing cycle, but they *“would not remove monetary stimulus”* for a prolonged period of time thereby implying rate increases were off the table as well.

Traders were also buying the AUD off the back of strong consumer numbers, which saw both currencies revert to their 23 March levels.

In US equities, an algorithm sell programme sold 1,196 equities and 18,000 S&P future contracts that drove the S&P and Nasdaq into negative territory for the day, while the US 10 year treasury firmed 2 pips to 1.63%.

The Monetary Authority of Singapore (“MAS”) also left its monetary policy unchanged yesterday while Australian consumer confidence increased +6.2% on the month to 111.8, driving the index to its highest level since August 2010. The survey continued to highlight that the consumer will be the key driver of above-trend growth in 2021, with households appearing to be resilient.

In Europe, industrial production in the Eurozone dropped 1.0% on the month following on from the 0.8% increase in

January. Meanwhile, US import prices increased 1.2% in March of 2021, after advancing 1.3% in February. Finally, core machinery orders are often used as a good proxy for capex, but I guess businesses are saving their money in Japan after core machinery orders contracted -8.5% in February.

With the economy reopening and demand increasing, the policymakers are starting to debate whether inflation will actually start to ‘heat up’ or whether it may actually run ‘cold.’ As Boston Fed President, Eric Rosengren, warned, based on the experience of the last decade, *“you have to take seriously the idea that it is not going to be that easy to get 2% inflation.”* Meanwhile, veteran bond trader, Greg Wilensky, has seen hype about a surge in inflation crushed too many times to get carried away with this year’s great reflation trade, stating, *“As much as I can see legitimate reasons why it might happen this time, I could have said that very often over the last 12 years, too.”*

## RIP Bernie

Bernard Madoff, the Manhattan investment adviser/thief, who defrauded clients out of more than USD19 billion in the largest ever Ponzi scheme, has died in prison while part-way through his 150 year jail term. The person who said ‘crime doesn’t pay’ obviously hadn’t seen the returns you can get!



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# Daily Rates

Thursday 15 April 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.96					CAD	0.8942	0.9674
NZD/USD	0.7144	0.0000	-0.0002	-0.0005	-0.0012	CHF	0.6591	0.7130
NZD/AUD	0.9243	-0.0002	-0.0006	-0.0012	-0.0024	CNY	4.6670	5.0492
NZD/JPY	77.78	-0.03	-0.09	-0.20	-0.51	DKK	4.4350	4.7982
NZD/EUR	0.5963	-0.0004	-0.0013	-0.0027	-0.0060	FJD	1.4593	1.5788
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0015	HKD	5.5473	6.0016
						KRW	797.25	862.55
AU TWI	64.10					MYR	2.9355	3.1759
AUD/USD	0.7728	0.0001	0.0003	0.0005	0.0007	NOK	5.9944	6.4853
AUD/NZD	1.0819	0.0002	0.0007	0.0014	0.0028	SEK	6.0401	6.5347
AUD/JPY	84.15	-0.01	-0.04	-0.11	-0.33	SGD	0.9541	1.0322
AUD/EUR	0.6452	-0.0003	-0.0010	-0.0021	-0.0048	TWD	20.32	21.99
AUD/GBP	0.5608	0.0000	0.0001	0.0001	-0.0002	ZAR	10.2810	11.1230
USD Index	91.66							
EUR/USD	1.1979	0.0007	0.0023	0.0047	0.0101	<b>EQUITIES</b>		
USD/JPY	108.90	-0.03	-0.10	-0.21	-0.53			<b>Index</b>
GBP/USD	1.3781	0.0001	0.0004	0.0007	0.0018	NZX50		12,751
EUR/GBP	0.8692	0.0005	0.0014	0.0030	0.0062	ASX200		7,023
						Dow Jones		33,732
						S&P 500		4,124
						FTSE100		6,940
						DAX 30		15,209
						Nikkei		29,621
						<b>COMMODITIES</b>		
								<b>USD</b>
						Dubai Light		62.38
						Brent Crude		66.40
						Gold		1,736.62
						Silver		25.41
						CRB Index		204.52

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.28%	0.24%	0.02%	0.00%
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%	0.09%	0.07%
2 year swap	0.45%	0.43%	0.18%	0.17%
3 year swap	0.64%	0.61%	0.34%	0.33%
5 year swap	1.07%	1.04%	0.83%	0.73%
10 year swap	1.85%	1.83%	1.77%	1.74%
10 year Govt bond		1.67%		1.75%

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