

# Market Alert

Friday 16 April 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7176	-0.0004
NZD/AUD	0.9252	-0.0011
NZD/JPY	77.98	-0.19
NZD/EUR	0.5993	-0.0027
NZD/GBP	0.5204	-0.0006
NZD/CNH	4.6850	0.0608
AUD/USD	0.7755	0.0005
AUD/EUR	0.6478	-0.0021
EUR/USD	1.1972	0.0047
USD/CNH	6.5292	0.0885
GBP/USD	1.3789	0.0007
EUR/GBP	0.8683	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.34%	0.04%
2 year swap	0.46%	0.16%
10 year Govt	1.68%	1.77%

## Contraindications galore

There was a real mix of US data overnight after retail sales jumped an astonishing 9.8% in the month of March to produce its biggest increase since May 2020 as the US economy started to reopen and families spent their USD1,400 cheques. But against this spending, there was a continuation of high initial claims prints with this week's number at 3,731k.

In the manufacturing sector, the Empire index gained 9 pips to 26.3, but industrial production fell to 1.4% on the month and capacity utilisation came in weak at

74.4% when 75.6% was expected. Don't worry, the Philly Fed Business outlook surged to 50.2 when it was forecast to be at just 41.5.

The Australian March jobs report also produced a massive headline print after employment increased 70.7k against an expected 35.0k gain, which saw the unemployment rate ease to 5.6%. However, the full-time employment change decreased 20.8k while the part-time employment change saw a 91.5k increase, meaning everyone in Australia is working, but they only have part-time jobs! The participation rate also offered good news, as it printed at a record 66.3%, but if everyone is only working part-time, is it relevant?

Taiwan's President says Chinese military activities are threatening regional peace and stability, while a top Chinese official in HK has warned of 'counter measures' against foreign powers that interfere in the region.

In New Zealand, the REINZ house price index showed that prices rose 24% in the year to March, but as you may recall, investor changes were announced on the 23 March which will impact these gains going forward. In fact, SAP is even forecasting a correction to NZ house prices over the next 2-years.

The IMF has urged the eurozone to boost spending to fuel its economic recovery as the bloc is forecast to rebound more

slowly than other economies, due in part to its smaller fiscal stimulus. Meanwhile, German CPI came out line with expectations at 0.5% on the month and 1.7% on the year.

The strong retail sales numbers saw US stocks jump to, yet again, record highs as an accelerating recovery in the world's biggest economy spurred investor confidence, while treasury yields eased with the 10-year down 8 pips to 1.55%, which supported the NZD and AUD.

## If only ...

Huarong is a Chinese distressed-debt manager SOE that failed to file its financials ahead of its March deadline. The lack of clarity around the delay, along with reports that the company is negotiating a recovery plan, has spooked investors, but the real issue here is that Huarong has USD23 billion of bonds held by institutional investors such as BlackRock, Goldman Sachs and Allianz — which begs the question — will the company default, or will the Chinese government bail it out?

With the default of a SOE like Huarong unprecedented, we could speak to its Chairman, but he was found guilty of receiving some USD277 million in bribes between 2008 and 2018, and was convicted, sentenced to death, and executed in January! If only the US had used this rule for Bernie!



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# Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.19					CAD	0.8996	0.9723
NZD/USD	0.7176	0.0000	-0.0002	-0.0004	-0.0011	CHF	0.6613	0.7148
NZD/AUD	0.9252	-0.0002	-0.0006	-0.0011	-0.0024	CNY	4.6720	5.0497
NZD/JPY	77.98	-0.03	-0.09	-0.19	-0.49	DKK	4.4572	4.8176
NZD/EUR	0.5993	-0.0004	-0.0013	-0.0027	-0.0059	FJD	1.4538	1.5713
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0015	HKD	5.5730	6.0235
						KRW	800.46	865.18
AU TWI	64.40					MYR	2.9590	3.1982
AUD/USD	0.7755	0.0001	0.0003	0.0005	0.0008	NOK	6.0116	6.4976
AUD/NZD	1.0808	0.0002	0.0007	0.0013	0.0028	SEK	6.0598	6.5497
AUD/JPY	84.28	-0.01	-0.04	-0.10	-0.32	SGD	0.9577	1.0351
AUD/EUR	0.6478	-0.0003	-0.0010	-0.0021	-0.0047	TWD	20.33	21.98
AUD/GBP	0.5624	0.0000	0.0001	0.0001	-0.0002	ZAR	10.1595	10.9809
USD Index	91.63							
EUR/USD	1.1972	0.0007	0.0023	0.0047	0.0101	<b>EQUITIES</b>		
USD/JPY	108.68	-0.03	-0.10	-0.20	-0.52		<b>Index</b>	
GBP/USD	1.3789	0.0001	0.0004	0.0007	0.0018	NZX50	12,637	
EUR/GBP	0.8683	0.0005	0.0014	0.0029	0.0061	ASX200	7,059	
						Dow Jones	34,061	
<b>INTEREST RATES</b>							S&P 500	4,164
		<b>New Zealand</b>		<b>Australia</b>			FTSE100	6,984
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>		DAX 30	15,255
30 day bank bills		0.28%	0.24%	0.02%	0.00%		Nikkei	29,643
90 day bank bills		0.36%	0.32%	0.06%	0.02%	<b>COMMODITIES</b>		
FRA 90d in 3mths		0.35%	0.32%	0.08%	0.05%		<b>USD</b>	
FRA 180d in 6mths		0.38%	0.35%	0.14%	0.13%	Dubai Light	64.06	
1 year swap		0.37%	0.35%	0.09%	0.07%	Brent Crude	66.84	
2 year swap		0.47%	0.45%	0.17%	0.16%	Gold	1,764.04	
3 year swap		0.65%	0.63%	0.34%	0.33%	Silver	25.85	
5 year swap		1.09%	1.07%	0.84%	0.74%	CRB Index	206.02	
10 year swap		1.89%	1.86%	1.68%	1.67%			
10 year Govt bond			1.66%		1.77%			

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