

Market Alert

Monday 19 April 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7143	-0.0004
NZD/AUD	0.9244	-0.0011
NZD/JPY	77.71	-0.19
NZD/EUR	0.5966	-0.0026
NZD/GBP	0.5168	-0.0006
NZD/CNH	4.6621	0.0608
AUD/USD	0.7728	0.0005
AUD/EUR	0.6452	-0.0021
EUR/USD	1.1976	0.0047
USD/CNH	6.5259	0.0888
GBP/USD	1.3831	0.0008
EUR/GBP	0.8659	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.34%	0.04%
2 year swap	0.45%	0.17%
10 year Govt	1.63%	1.74%

Crypto concerns

The PBoC's Deputy Governor, Li Bo, reiterated yesterday that China has no desire to replace the USD with their version of a digital Yuan stating *"For the internationalization of the renminbi, we have said many times that it's a natural process, and our goal is not to replace the US dollar or other international currencies. I think our goal is to allow the market to choose, to facilitate international trade and investment."* Hmmmmmm ...

And speaking of the crypto's, after a run-up in prices ahead of Coinbase's IPO last week, the cryptocurrency market plummeted around 10% on Sunday

after blackouts in China led to massive declines in bitcoin's mining rates. This morning the market is bouncing back with bitcoin around the USD55.5k mark.

This is probably a little premature, but with the European vaccine programme slowly starting to gain traction, expectations are starting to grow that ECB officials will look to start the public discussion as to what monetary policy will look like in the post-pandemic eurozone.

There continues to be further political fallout in the UK from the Greensill bankruptcy. Following on from the revelation that the Health Secretary, Matt Hancock, awarded contracts to Greensill, even though he owned shares in the company, it is now expected an enquiry will be called as to whether former PM, David Cameron, exerted undue influence when he text-messaged ministers last year about using Greensill Capital, where he was an adviser.

S&P has upgraded its New Zealand forecasts stating the local economy has defied predictions of a sharp recession as, *"New Zealand has done an incredible job of containing COVID-19 ... and is still continuing to do better than most developed economies of the world, we would say that is certainly a positive economic influence on the banking system."*

S&P are now forecasting economic growth of 2.4% this year and about 1.5% between 2022 and 2024, underpinned by the strength in the housing market.

Closing out last week ...

The University of Michigan's consumer sentiment survey for the US rose to 86.5 in April, from 84.9 in the previous month but below market expectations of 89.6. It was the highest reading since March 2020. Year-ahead inflation expectations rose to 3.7%, the highest level in nearly a decade.

Meanwhile, US housing starts soared 19.4% on the month to an annualised rate of 1.739 million in March, to be the highest reading since June of 2006, easily beating market expectations of 1.613 million.

International bourses closed out the week in positive territory, with Europe broadly up 1.0% and the US up approximately 0.3%. The dollar index weakened for the second week running breaking below 92.00 to close at 91.55, its lowest level in a month, which saw the NZD and AUD consolidate Thursday's gains.

Bonds markets saw yields firm a touch following Thursday's weakness, with the US 10-year up to 1.58%, while the Bunds broke above -0.30% to yield -0.27%. Interestingly, the gap between the Australian and New Zealand 10-year yields has increased to 12 bps with the AUD yielding 1.73%, while the NZ 10-year remains weak at 1.61%.



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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	74.88					CAD	0.8935	0.9666	
NZD/USD	0.7143	0.0000	-0.0002	-0.0004	-0.0010	CHF	0.6571	0.7108	
NZD/AUD	0.9244	-0.0002	-0.0006	-0.0011	-0.0023	CNY	4.6530	5.0335	
NZD/JPY	77.71	-0.03	-0.09	-0.19	-0.49	DKK	4.4348	4.7975	
NZD/EUR	0.5966	-0.0004	-0.0013	-0.0026	-0.0059	FJD	1.4474	1.5658	
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0015	HKD	5.5532	6.0073	
						KRW	797.96	863.22	
AU TWI	64.60					MYR	2.9551	3.1967	
AUD/USD	0.7728	0.0001	0.0003	0.0005	0.0008	NOK	5.9826	6.4719	
AUD/NZD	1.0818	0.0002	0.0007	0.0013	0.0027	SEK	6.0298	6.5229	
AUD/JPY	84.05	-0.01	-0.04	-0.10	-0.32	SGD	0.9533	1.0312	
AUD/EUR	0.6452	-0.0003	-0.0010	-0.0021	-0.0047	TWD	20.25	21.90	
AUD/GBP	0.5587	0.0000	0.0001	0.0001	-0.0002	ZAR	10.2332	11.0701	
USD Index	91.56								
EUR/USD	1.1976	0.0007	0.0023	0.0047	0.0101	EQUITIES			
USD/JPY	108.77	-0.03	-0.10	-0.20	-0.52			Index	
GBP/USD	1.3831	0.0001	0.0004	0.0008	0.0019	NZX50		12,685	
EUR/GBP	0.8659	0.0005	0.0014	0.0029	0.0061	ASX200		7,063	
						Dow Jones		34,201	
INTEREST RATES								S&P 500	4,185
		New Zealand		Australia				FTSE100	7,020
		Borrow	Invest	Borrow	Invest			DAX 30	15,460
30 day bank bills		0.28%	0.24%	0.03%	0.01%			Nikkei	29,683
90 day bank bills		0.36%	0.32%	0.06%	0.02%	COMMODITIES			
FRA 90d in 3mths		0.35%	0.32%	0.08%	0.05%				USD
FRA 180d in 6mths		0.38%	0.35%	0.14%	0.13%			Dubai Light	65.06
1 year swap		0.37%	0.34%	0.09%	0.07%			Brent Crude	66.77
2 year swap		0.46%	0.44%	0.17%	0.17%			Gold	1,775.68
3 year swap		0.64%	0.62%	0.34%	0.31%			Silver	25.95
5 year swap		1.07%	1.04%	0.83%	0.73%			CRB Index	205.33
10 year swap		1.84%	1.81%	1.72%	1.72%				
10 year Govt bond			1.61%	1.72%	1.74%				

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