

Market Alert

Wednesday 21 April 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7177	-0.0004
NZD/AUD	0.9293	-0.0011
NZD/JPY	77.55	-0.19
NZD/EUR	0.5963	-0.0027
NZD/GBP	0.5149	-0.0006
NZD/CNH	4.6645	0.0600
AUD/USD	0.7724	0.0005
AUD/EUR	0.6417	-0.0021
EUR/USD	1.2036	0.0047
USD/CNH	6.4996	0.0876
GBP/USD	1.3941	0.0007
EUR/GBP	0.8633	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	1.64%	1.78%

Reading the RBA's mind

The minutes of the 6 April RBA board meeting were released yesterday, and while you can be forgiven for not reading through them, unless it was a sleep aid, there were some key points that highlight the board's thinking and will shape the monetary policy for the rest of the year, if not the next three years. Notably, the RBA will "maintain highly supportive monetary conditions until its goals were achieved" and that it "does not expect these conditions to be met until 2024 at the earliest."

One of the key differences to the RBA's current thinking versus previous cycles is that in the past, the RBA would react to forecast inflation, whereas now, the RBA will not raise the cash rate until actual inflation is sustainably within 2-3% target band. The RBA also remains committed to maintaining the 3 year bond at its target 0.10% and is prepared to undertake further bond purchases, beyond AUD200 billion, if it "would assist with progress towards the goals of full employment and inflation."

The RBA noted that "the global outlook remained dependent on responses to the pandemic and the risks of further outbreaks of COVID-19 infections, as well as on the significant fiscal and monetary support around the world."

The UK March unemployment data was released overnight and showed an improvement however, the headline reading continues to see some volatile jumps as the furlough program makes it difficult to read too much into the data. The February jobless rate dipped slightly from 5.0% to 4.9%.

The ONS does note that the total UK employment rate was estimated at 75.1% - some 1.4% lower than it was a year ago. It also noted annual pay growth continues to strengthen but may be due to a fall in lower-paid jobs as compared to pre-pandemic labour market conditions.

When the chips are down

The global shortage in computer chips remains, fuelled by remote working devices, 5G equipment, high performance computing and vehicles. This has led to the US facing an immense shortage of chips, with Commerce Secretary, Gina Raimondo, telling senators that this could become "a national security risk and economic security risk."

Overnight, global equities were a sea of red after concerns that rising COVID-19 cases may lead to further economic impact. This drowned out the solid corporate earnings overnight with small cap US companies taking most of the brunt. The US 10 year bond yield slipped 4bps and is on track for its lowest levels in 5 weeks as it looks like investors are starting to pile in.

The NZD/USD hit a one month high in the Asian session, reaching 0.7229 but was sold off in the London and NY session which resulted in the NZD being in the red for the day. A similar story for the AUD as it flirted with 0.7815 before slipping a full cent to 0.7721 at the time of wiring.

The GDT auction overnight slipped 0.1% however dairy prices remain at elevated levels not seen since 2014. WMP rose 0.4% but was offset by losses in lactose, butter and milk fat.



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Daily Rates

Wednesday 21 April 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.11					CAD	0.9051	0.9740
NZD/USD	0.7177	-0.0001	-0.0002	-0.0004	-0.0012	CHF	0.6572	0.7071
NZD/AUD	0.9293	-0.0002	-0.0006	-0.0011	-0.0024	CNY	4.6683	5.0234
NZD/JPY	77.55	-0.03	-0.09	-0.19	-0.48	DKK	4.4342	4.7715
NZD/EUR	0.5963	-0.0004	-0.0013	-0.0027	-0.0059	FJD	1.4581	1.5690
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0015	HKD	5.5702	5.9939
						KRW	801.55	862.53
AU TWI	64.70					MYR	2.9693	3.1952
AUD/USD	0.7724	0.0001	0.0003	0.0005	0.0008	NOK	5.9967	6.4529
AUD/NZD	1.0761	0.0002	0.0007	0.0013	0.0028	SEK	6.0524	6.5128
AUD/JPY	83.46	-0.01	-0.04	-0.10	-0.30	SGD	0.9535	1.0260
AUD/EUR	0.6417	-0.0003	-0.0010	-0.0021	-0.0047	TWD	20.17	21.170
AUD/GBP	0.5540	0.0000	0.0000	0.0001	-0.0002	ZAR	10.2607	11.0413
USD Index	91.19							
EUR/USD	1.2036	0.0008	0.0023	0.0047	0.0100	EQUITIES		
USD/JPY	108.06	-0.03	-0.09	-0.19	-0.50			Index
GBP/USD	1.3941	0.0001	0.0004	0.0007	0.0019	NZX50		12,679
EUR/GBP	0.8633	0.0005	0.0014	0.0029	0.0060	ASX200		7,018
						Dow Jones		33,806
INTEREST RATES						S&P 500		4,134
		New Zealand		Australia		FTSE100		6,860
		Borrow	Invest	Borrow	Invest	DAX 30		15,130
30 day bank bills		0.28%	0.24%	0.02%	0.02%	Nikkei		29,100
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%	0.16%	0.14%	Dubai Light		65.29
1 year swap		0.37%	0.34%	0.09%	0.08%	Brent Crude		66.50
2 year swap		0.47%	0.44%	0.18%	0.17%	Gold		1,777.57
3 year swap		0.64%	0.61%	0.34%	0.33%	Silver		25.82
5 year swap		1.07%	1.04%	0.81%	0.79%	CRB Index		205.93
10 year swap		1.84%	1.81%	1.72%	1.71%			
10 year Govt bond			1.63%		1.78%			

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