

# Market Alert

Thursday 22 April 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7211	-0.0005
NZD/AUD	0.9297	-0.0012
NZD/JPY	77.92	-0.19
NZD/EUR	0.5992	-0.0027
NZD/GBP	0.5175	-0.0006
NZD/CNH	4.6785	0.0582
AUD/USD	0.7756	0.0005
AUD/EUR	0.6445	-0.0021
EUR/USD	1.2035	0.0047
USD/CNH	6.4884	0.0850
GBP/USD	1.3934	0.0008
EUR/GBP	0.8637	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.34%	0.04%
2 year swap	0.46%	0.17%
10 year Govt	1.59%	1.73%

## Let the taper tantrums begin

The BoC lefts its key overnight rate unchanged at 0.25%, as was expected, but confirmed that from next week they would reduce their weekly bond purchases of government bonds from CAD4 billion to CAD3 billion.

The Central Bank reiterated its guidance that it won't raise its benchmark interest rate until the recovery is complete and inflation is sustainably at 2.0%, although policymakers noted that economic growth in the first quarter appeared considerably stronger than the Bank's January forecast as they upgraded their

2021 GDP growth forecasts from 4% to 6.5%. Inflation is projected to rise to the top of their 1-3% inflation band in 2021, before easing to 2% in 2022.

As a result of the taper, the CAD put on its best single-day performance since June, rallying 1.0%, while the swaps market is now pricing three rate hikes over the next two years. Interestingly, Canadian equity markets also posted gains on the day and are just 1.4% off their all-time highs.

However, the real question is, will the other central banks follow, or, is the BoC an outlier?

First quarter 2021 NZ inflation jumped 0.8% to produce a 1.5% annualised print, mainly driven by higher petrol prices and rents. While the annual inflation rate held under the RBNZ's target, most economists are maintaining their view that inflation will jump towards the 2.5% level in Q2. It was a very similar story in the UK, where annual inflation climbed to 0.7% in March, up from 0.4% in February, also predominately driven by rising petrol prices.

Commodities were active overnight with the price of iron ore hitting its highest level since February 2011.

While you may recall China imposed a series of import restrictions and tariffs on Australian soft commodities last year, and threatened to counter the rising tide of hard commodities last week, Beijing's demand for iron ore to underpin its

economic recovery has seen the price of iron ore rally 18.2% over the past month to USD185.00/tonne, extending a rally that began from below USD100 less than a year ago.

Gold has also had a fire lit underneath it recently as it reached an 8-week high spurred on by safe-haven Covid-buying on risks of 3rd/4th waves, while demand from China has also bounced back after Beijing permitted domestic and international banks to import large amounts into the country.

## Show me the money

While it's not unusual for US banks to issue bonds at the end of a quarter after posting positive results, this year they've gone ballistic on us!

Following on from JP Morgan's record USD13 billion bond issue, that was topped the following day by Bank of America's USD15 billion offering, Goldmans and Morgan Stanley are also planning imminent issues that will produce combined issuance from the 'big 4' to over USD40 billion.

Equity markets snapped their recent 2-day losing stretch to post gains across Europe and the US, while bond yields flatlined with the US at 1.56%.

As a general theme, markets favoured a return to risk which saw the NZD/USD crack 0.7200 while the AUD/USD held 0.7750.



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# Daily Rates

Thursday 22 April 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.37					CAD	0.9009	0.9690
NZD/USD	0.7211	-0.0001	-0.0002	-0.0005	-0.0012	CHF	0.6610	0.7110
NZD/AUD	0.9297	-0.0002	-0.0006	-0.0012	-0.0024	CNY	4.6817	5.0359
NZD/JPY	77.92	-0.03	-0.09	-0.19	-0.49	DKK	4.4555	4.7926
NZD/EUR	0.5992	-0.0004	-0.0013	-0.0027	-0.0059	FJD	1.4603	1.5708
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0015	HKD	5.5979	6.0215
						KRW	804.88	865.79
AU TWI	64.10					MYR	2.9526	3.1760
AUD/USD	0.7756	0.0001	0.0003	0.0005	0.0008	NOK	6.0130	6.4680
AUD/NZD	1.0757	0.0002	0.0007	0.0014	0.0028	SEK	6.0603	6.5189
AUD/JPY	83.82	-0.01	-0.04	-0.10	-0.30	SGD	0.9582	1.0307
AUD/EUR	0.6445	-0.0003	-0.0010	-0.0021	-0.0047	TWD	20.27	21.80
AUD/GBP	0.5566	0.0000	0.0000	0.0001	-0.0002	ZAR	10.2790	11.0568
USD Index	91.12							
EUR/USD	1.2035	0.0008	0.0023	0.0047	0.0101	<b>EQUITIES</b>		
USD/JPY	108.07	-0.03	-0.09	-0.20	-0.50		<b>Index</b>	
GBP/USD	1.3934	0.0001	0.0004	0.0008	0.0019	NZX50	12,535	
EUR/GBP	0.8637	0.0005	0.0014	0.0029	0.0061	ASX200	6,997	
						Dow Jones	34,139	
						S&P 500	4,170	
						FTSE100	6,895	
						DAX 30	15,196	
						Nikkei	28,509	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	63.27	
						Brent Crude	64.99	
						Gold	1,794.23	
						Silver	26.60	
						CRB Index	205.80	

  

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	0.36%	0.32%	0.06%	0.02%
FRA 90d in 3mths	0.35%	0.32%	0.08%	0.05%
FRA 180d in 6mths	0.38%	0.35%	0.15%	0.13%
1 year swap	0.37%	0.35%	0.08%	0.07%
2 year swap	0.47%	0.45%	0.17%	0.16%
3 year swap	0.64%	0.61%	0.34%	0.32%
5 year swap	1.05%	1.02%	0.80%	0.78%
10 year swap	1.80%	1.77%	1.72%	1.70%
10 year Govt bond		1.58%		1.73%

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