

Market Alert

Friday 23 April 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7165	-0.0005
NZD/AUD	0.9293	-0.0012
NZD/JPY	77.37	-0.19
NZD/EUR	0.5962	-0.0027
NZD/GBP	0.5177	-0.0006
NZD/CNH	4.6537	0.0571
AUD/USD	0.7710	0.0005
AUD/EUR	0.6416	-0.0021
EUR/USD	1.2017	0.0047
USD/CNH	6.4955	0.0842
GBP/USD	1.3840	0.0007
EUR/GBP	0.8682	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.35%	0.04%
2 year swap	0.46%	0.17%
10 year Govt	1.55%	1.70%

Hide my money!

While the headline yesterday was ‘show me the money,’ this morning it rapidly became ‘hide my money’ after word leaked that the Biden administration is considering a proposal that would virtually double the capital gains tax.

According to people familiar with the proposal, the capital gains tax rate for wealthy individuals earning over a USD1 million a year would almost double to 39.6%, which, coupled with the existing surtax on investment income, would mean that federal tax rates for investors could be as high as 43.4%!

Needless to say, as word spread, US equity markets quickly turned into a sea of red.

Bloomberg immediately polled several Wall Street houses on the policy’s implications for investing and concluded that while it was too soon to panic, prospects of a higher levy on stock profits could spark near-term selling as investors look to skirt a higher rate.

In other news, the number of Americans filing new claims for unemployment benefits fell to ‘just’ 547,000 claims on the week against an estimate of 610,000, which is mildly positive, although continuing claims rose to 3,674,000.

The ECB unsurprisingly left monetary policy unchanged at its April meeting as officials maintained a ‘wait-and-see’ approach after last month’s decision to increase bond purchases in Q2. The central bank reiterated that the envelope might not need to be used in full if favourable financing conditions can be maintained, but, it could be recalibrated if required to help counter the negative pandemic shock to the path of inflation. That last sentence definitely sounds like a five-each-way!

President Lagarde said at the press conference that, *“While the recovery in global demand and the sizable fiscal stimulus are supporting global and euro area activity, the near-term economic outlook remains clouded by uncertainty. Economic activity may have contracted again in the first quarter of this*

year, but data points to a resumption of growth in the second quarter.”

She then added that, *“Inflation has picked up over recent months on account of some idiosyncratic and temporary factors and an increase in energy price inflation. At the same time, underlying price pressures remain subdued in the context of significant economic slack and still weak demand.”*

While the ECB’s warnings remain in place, there may be some reason for optimism given the recent increase on the 10-year bund yield to -0.25% and the fact that consumer confidence indicator in the Euro Area rose by 2.7 points from a month earlier to -8.1. Wait a minute ... these numbers are still heavily in negative territory ... forget everything I just said!

One positive though was Australian Q1 business confidence, which rose to 17 after Q4’s modest 14, while business conditions increased to 26 from 19.

Needless to say

US equities are currently down 0.75—1.25%, although the European and Asian markets all closed in positive territory. Interestingly, soft commodities saw surges to new highs with wheat and corn the standout performers, while bond markets were quietly laughing at the equity traders. The NZD/USD and AUD/USD continue to bobble at 0.7165 and 0.7715 respectively.



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Daily Rates

Friday 23 April 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.97					CAD	0.8957	0.9639
NZD/USD	0.7165	-0.0001	-0.0002	-0.0005	-0.0012	CHF	0.6571	0.7071
NZD/AUD	0.9293	-0.0002	-0.0006	-0.0012	-0.0025	CNY	4.6526	5.0068
NZD/JPY	77.37	-0.03	-0.09	-0.19	-0.49	DKK	4.4338	4.7713
NZD/EUR	0.5962	-0.0004	-0.0013	-0.0027	-0.0059	FJD	1.4481	1.5584
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0015	HKD	5.5597	5.9830
						KRW	802.65	863.76
AU TWI	64.30					MYR	2.9501	3.1747
AUD/USD	0.7710	0.0001	0.0003	0.0005	0.0008	NOK	5.9920	6.4482
AUD/NZD	1.0761	0.0003	0.0007	0.0014	0.0029	SEK	6.0413	6.5012
AUD/JPY	83.26	-0.01	-0.04	-0.10	-0.31	SGD	0.9524	1.0249
AUD/EUR	0.6416	-0.0003	-0.0010	-0.0021	-0.0047	TWD	20.12	21.65
AUD/GBP	0.5571	0.0000	0.0000	0.0000	-0.0002	ZAR	10.2603	11.0415
USD Index	91.29							
EUR/USD	1.2017	0.0007	0.0023	0.0047	0.0100	EQUITIES		
USD/JPY	107.99	-0.03	-0.09	-0.20	-0.50			Index
GBP/USD	1.3840	0.0001	0.0004	0.0007	0.0018	NZX50		12,577
EUR/GBP	0.8682	0.0005	0.0014	0.0029	0.0061	ASX200		7,055
						Dow Jones		33,815
						S&P 500		4,142
						FTSE100		6,938
						DAX 30		15,321
						Nikkei		29,188
						COMMODITIES		
								USD
						Dubai Light		62.17
						Brent Crude		65.54
						Gold		1,784.10
						Silver		26.11
						CRB Index		206.89

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	0.37%	0.33%	0.06%	0.02%
FRA 90d in 3mths	0.35%	0.32%	0.08%	0.05%
FRA 180d in 6mths	0.38%	0.35%	0.14%	0.13%
1 year swap	0.37%	0.35%	0.09%	0.07%
2 year swap	0.47%	0.44%	0.18%	0.16%
3 year swap	0.63%	0.60%	0.34%	0.32%
5 year swap	1.02%	0.99%	0.81%	0.79%
10 year swap	1.76%	1.73%	1.72%	1.70%
10 year Govt bond		1.54%		1.70%

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