

Market Alert

Wednesday 28 April 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7208	-0.0005
NZD/AUD	0.9280	-0.0013
NZD/JPY	78.36	-0.20
NZD/EUR	0.5963	-0.0027
NZD/GBP	0.5184	-0.0007
NZD/CNH	4.6708	0.0563
AUD/USD	0.7767	0.0005
AUD/EUR	0.6426	-0.0020
EUR/USD	1.2088	0.0047
USD/CNH	6.4802	0.0829
GBP/USD	1.3904	0.0008
EUR/GBP	0.8694	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.35%	0.04%
2 year swap	0.47%	0.17%
10 year Govt	1.61%	1.74%

Wake up to “no-change”

The BoJ announced no change to its monetary policy, keeping its short term interest target at -0.10%, the 10 year JGB yield target around 0.00%, and its ETF cap at JPY12 trillion. The BoJ also upgraded its GDP growth forecasts modestly but downgraded its CPI forecasts to 0.1% from the 0.5% that was projected in January. It kinda makes their 2.0% target seem optimistic!

Overnight we saw the US CoreLogic Case-Shiller 20-city home price index jump 11.9% on the year to February, the price of copper and iron ore hit an all

time high, and UK retail sales jump to 20.0 in April to record its highest print since June 2018. International equity bourses were quiet, the US 10 year popped to 1.62%, while the NZD and AUD eased 0.4% against the USD.

An unnamed US bank estimates that the preliminary April month end FX rebalancing flows point to more USD selling than usual as the ‘average signal strength’ across all USD crosses measures 1.7 standard deviations, and that signals of this magnitude have only occurred 5% of the time since 2004. And speaking of the dollar, DoubleLine CEO, Jeff Gundlach, told Bloomberg *“the US dollar is almost certain to decline in the medium-to-long term.”*

Chinese media is reporting that *“Beijing has ordered a halt to work on two high-speed rail projects with a total investment of 130 billion yuan (USD20 billion) signalling concerns over growing local government debt.”* Meanwhile, with Chinese retail sales lagging after the pandemic, it has been decided there will be a month long campaign to increase consumer spending as China enters its five day Labour Day holiday on 1 May. Don’t worry, Chinese manufacturers should be able to keep up with demand after industrial profits surged +92.3% on the corresponding COVID-19 infected period a year ago.

Vale, the world’s largest producer of iron ore, pellets, and nickel, announced they are expecting to see an increase

in supply, although demand will fall, driven by production cuts in China due to environmental restrictions. And if that wasn’t bad enough for Australia, Moody’s predicts that *“over the coming months, delinquency rates will increase on average at varying rates because of the uneven economic recovery and the end of borrower support measures.”*

The great re-balancing

BlackRock has shifted its tactical view on inflation-protected Treasuries, or TIPS, to neutral from overweight, and cut its underweight position on nominal Treasuries, as the fund giant is confident that inflationary expectations are already priced in. And while the reasons behind the recent upswing in inflation expectations — supply constraints, pent-up consumer demand and excess savings — are largely temporary, *“further increases seem unlikely in the near-term. We still see inflation pressures building over the medium term due to structural reasons.”*

While executives from such diverse companies as Mexican Grill, Whirlpool and Procter & Gamble have outlined price hikes, largely in response to rising materials costs, one freight forwarder has announced that all trans-Pacific shipping space has been sold out for the month of May as *“we had one client who was ready to pay USD15,000 per container and we couldn’t get it loaded.”*



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Daily Rates

Wednesday 28 April 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.25					CAD	0.8937	0.9630
NZD/USD	0.7208	-0.0001	-0.0003	-0.0005	-0.0012	CHF	0.6588	0.7099
NZD/AUD	0.9280	-0.0003	-0.0007	-0.0013	-0.0026	CNY	4.6754	5.0381
NZD/JPY	78.36	-0.03	-0.09	-0.20	-0.51	DKK	4.4338	4.7777
NZD/EUR	0.5963	-0.0004	-0.0014	-0.0027	-0.0060	FJD	1.4599	1.5732
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0007	-0.0016	HKD	5.5940	6.0280
						KRW	802.38	864.63
AU TWI	64.60					MYR	2.9539	3.1830
AUD/USD	0.7767	0.0001	0.0003	0.0005	0.0009	NOK	5.9631	6.4258
AUD/NZD	1.0776	0.0003	0.0009	0.0015	0.0031	SEK	6.0370	6.5054
AUD/JPY	84.45	-0.01	-0.04	-0.09	-0.31	SGD	0.9560	1.0301
AUD/EUR	0.6426	-0.0003	-0.0010	-0.0020	-0.0046	TWD	20.13	21.69
AUD/GBP	0.5586	0.0000	0.0001	0.0001	-0.0001	ZAR	10.3617	11.1656
USD Index	90.91							
EUR/USD	1.2088	0.0007	0.0023	0.0047	0.0101	EQUITIES		
USD/JPY	108.74	-0.03	-0.09	-0.20	-0.51			Index
GBP/USD	1.3904	0.0001	0.0004	0.0008	0.0018	NZX50		12,621
EUR/GBP	0.8694	0.0004	0.0014	0.0029	0.0061	ASX200		7,034
						Dow Jones		34,020
						S&P 500		4,191
						FTSE100		6,945
						DAX 30		15,249
						Nikkei		28,992
						COMMODITIES		
								USD
						Dubai Light		62.64
						Brent Crude		66.69
						Gold		1,775.61
						Silver		26.26
						CRB Index		212.64

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	0.39%	0.36%	0.14%	0.13%
1 year swap	0.38%	0.35%	0.10%	0.07%
2 year swap	0.48%	0.45%	0.17%	0.17%
3 year swap	0.65%	0.62%	0.34%	0.33%
5 year swap	1.06%	1.03%	0.85%	0.80%
10 year swap	1.81%	1.78%	1.74%	1.72%
10 year Govt bond		1.59%		1.74%

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