

Market Alert

Thursday 29 April, 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7263	-0.0006
NZD/AUD	0.9322	-0.0014
NZD/JPY	78.90	-0.20
NZD/EUR	0.5990	-0.0028
NZD/GBP	0.5209	-0.0007
NZD/CNH	4.7030	0.0573
AUD/USD	0.7791	0.0005
AUD/EUR	0.6425	-0.0020
EUR/USD	1.2125	0.0046
USD/CNH	6.4758	0.0841
GBP/USD	1.3944	0.0007
EUR/GBP	0.8695	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.35%	0.04%
2 year swap	0.47%	0.16%
10 year Govt	1.62%	1.73%

What? No change? Really!

Today, in perhaps the most telegraphed announcement known to mankind, the Federal Reserve left US rates unchanged, although the Chair did acknowledge that they are seeing faster growth and higher inflation. Fed Chairman, Jerome Powell, said the recovery is “uneven and far from complete” and while he noted that inflation pressures could rise in the coming months, these “one-time increases in prices are likely to only have transitory effects on inflation. Indicators of economic activity and employment have strengthened, (although) the sectors most adversely affected by the pandemic remain weak. It’s unlikely

we would see a persistent rise in inflation with significant slack in the labour market.”

To conclude, the Fed offered no hints that it was considering slowing the pace of its asset purchases, let alone thinking about raising interest rates.

With ‘no new news’ being perceived as ‘good news’ and the Fed remaining accommodative, the equities were flat, the US 10 year yield firmed to 1.61%, and the US dollar weakened forcing the NZD and AUD higher.

The Reserve Bank of New Zealand (“RBNZ”) announced “*We will be providing advice on policy options for responding to the Government’s section 68B direction on housing-related matters late next month,*” and so we suspect they will provide the Finance Minister with advice on debt-to-income and interest-only mortgage restrictions. RBNZ are projected to engage with the government in late May, a few weeks after publishing their Financial Stability Report, on 5 May. RBNZ policymaker, Peter Harris also announced, “*the central bank (is) still not meeting its employment objective as unemployment remains relatively high. (We are) not seeing material signs of wage inflation, no need to remove monetary stimulus right now.*”

One of the local banks is forecasting the RBA will extend its QE with a third AUD100 billion programme, which will begin in the first week of September, and that it will extend its YCC Policy to

purchase the November 2024 bond at the cash rate of 0.1%. Meanwhile, Fitch ratings say that any potential withdrawal of stimulus creates a risk for Australian credit markets. After yesterday’s poor CPI print, there would seem limited near-term risk of this as Australian Q1 CPI headlined at 0.6% on the quarter and 1.1% on the year, against an expected 0.9% and 1.4%, with the trim and weighted means in-line with expectations.

Germany May GfK consumer confidence fell to -8.8 against the -4.2 expected, although it wasn’t enough to stop the 10-year Bund yield lifting to -0.215%, its highest since February 2020, although it has since eased to -0.23%.

The Asian Development Bank is forecasting ‘developing Asia,’ which is 45 countries in the Asia-Pacific will grow 7.3% in 2021 and 5.3% in 2022, with China expected to grow 8.1% this year and 5.5% in 2022.

I love you, man ... no, I love you, more!

In what could be perceived as the biggest love-in since the 1960s, the US, UK NZ, and Australian finance ministers held a call yesterday exchanging views on their policy responses to COVID-19 and discussed their respective fiscal positions and strategies to support a robust economic recovery.



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Daily Rates

Thursday 29 April, 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.69					CAD	0.8945	0.9596
NZD/USD	0.7263	-0.0001	-0.0003	-0.0006	-0.0013	CHF	0.6603	0.7083
NZD/AUD	0.9322	-0.0003	-0.0007	-0.0014	-0.0027	CNY	4.6920	5.0333
NZD/JPY	78.90	-0.03	-0.09	-0.20	-0.51	DKK	4.4539	4.7778
NZD/EUR	0.5990	-0.0004	-0.0013	-0.0028	-0.0060	FJD	1.4740	1.5812
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0007	-0.0016	HKD	5.6376	6.0476
						KRW	805.96	864.58
AU TWI	64.30					MYR	2.9569	3.1720
AUD/USD	0.7791	0.0001	0.0003	0.0005	0.0008	NOK	5.9460	6.3785
AUD/NZD	1.0727	0.0003	0.0008	0.0016	0.0031	SEK	6.0599	6.5006
AUD/JPY	84.64	-0.01	-0.04	-0.10	-0.31	SGD	0.9624	1.0324
AUD/EUR	0.6425	-0.0003	-0.0010	-0.0020	-0.0046	TWD	20.27	21.75
AUD/GBP	0.5587	0.0000	0.0001	0.0001	-0.0001	ZAR	10.3381	11.0899
USD Index	90.63							
EUR/USD	1.2125	0.0007	0.0023	0.0046	0.0100	EQUITIES		
USD/JPY	108.65	-0.03	-0.09	-0.20	-0.52			Index
GBP/USD	1.3944	0.0001	0.0004	0.0007	0.0017	NZX50		12,646
EUR/GBP	0.8695	0.0004	0.0014	0.0029	0.0061	ASX200		7,065
						Dow Jones		33,861
						S&P 500		4,189
						FTSE100		6,964
						DAX 30		15,292
						Nikkei		29,054
						COMMODITIES		
								USD
						Dubai Light		62.90
						Brent Crude		67.25
						Gold		1,780.49
						Silver		26.22
						CRB Index		212.92

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%	0.07%	0.04%
FRA 180d in 6mths	0.39%	0.36%	0.13%	0.12%
1 year swap	0.37%	0.35%	0.08%	0.07%
2 year swap	0.48%	0.46%	0.16%	0.16%
3 year swap	0.66%	0.63%	0.33%	0.32%
5 year swap	1.06%	1.04%	0.82%	0.76%
10 year swap	1.81%	1.79%	1.72%	1.71%
10 year Govt bond		1.60%		1.73%

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