

Market Alert

Friday 30 April 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7249	-0.0006
NZD/AUD	0.9325	-0.0014
NZD/JPY	78.91	-0.20
NZD/EUR	0.5976	-0.0028
NZD/GBP	0.5197	-0.0007
NZD/CNH	4.6847	0.0583
AUD/USD	0.7774	0.0005
AUD/EUR	0.6409	-0.0020
EUR/USD	1.2129	0.0047
USD/CNH	6.4630	0.0856
GBP/USD	1.3948	0.0007
EUR/GBP	0.8696	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	1.61%	1.72%

Warning signs

US Q1 GDP surged 6.4% on an annualised basis following on from Q4's 4.3% gain, largely driven by a 10.7% jump in personal consumption as the inflation adjusted value of domestically produced goods and services climbed to an annualised USD19.1 trillion. This indicates that GDP will soon eclipse the pre-pandemic peak of USD19.3 trillion, but there are a few warning signs; forecasters projected 6.7% growth, declining inventories subtracted 2.6 points from the headline, while the price index printed at 4.1%, suggesting inflationary pressures are starting to build.

In other overnight data, US initial and continuing jobless claims exceeded

forecasts at 553,000 and 3,660,000, pending home sales rose 1.9% for the month and 25.3% for the year, German CPI exceeded expectations at 0.7% and 2.0% on a monthly and annualised basis, as did European CPI which printed at 0.5% and 2.1%. So, to reiterate, inflationary pressures are building, but don't forget, every central bank had forecasted this and noted they will look through these 'transitory' rises.

In amongst the news, equities markets traded higher, the US 10 year yield firmed to 1.64%, although the NZD/USD and AUD/USD eased a touch.

President Biden has set the platform for his Custer-like last stand highlighting that the US will stand up to unfair trade practices and IP theft as *"we are in a competition with China."*

Moody's isn't overly bullish on China either, expecting an uneven recovery among SOEs as *"companies in construction, steel and chemicals benefiting from strong revenue growth as China's economy recovers, while those in tourism and hospitality will take longer to recover to pre-pandemic levels."* It does sound familiar!

Following on from the Fed meeting yesterday, Fed Chair, Jerome Powell, also spoke about China's digital yuan, emphasising the Fed's primary goal is not speed to market, but rather avoiding any errors in executing digitalisation of the dollar as *"It is far more important to get it right than it is to do it fast. The currency that is being used in China is not one that would work*

here. It's one that really allows the government to see every payment for which it is used in real time."

The New Zealand trade balance produced another surplus in March, but only NZD33 million, down from February's NZD181 million. March's exports grew NZD1.21 billion to NZD5.68 billion, although imports surged NZD1.36 billion, to NZD5.65 billion.

Further comfort was found in the local confidence numbers which exceeded preliminary expectations after the headline improved from the preliminary print of -8.4 to -2.0 while the activity outlook jumped to 22.2 from 16.4.

While we can pat ourselves on the back on our trade performance, it paled in comparison to the Australian Q1 numbers which saw their exports jump 11.2% on the quarter, while imports increased by a mere 0.2%. Even more impressive is their year-on-year number with exports up 8.6% while imports fell 6.2%.

Commodity backwardation

According to PIMCO, shortages in raw materials that power the economy are driving the recent gains in commodities prices, which has seen a premium added to near term deliveries over future deliveries — producing what is known as a backwardation — and signalling immediate physical shortages.



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Daily Rates

Friday 30 April 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.53					CAD	0.8899	0.9544
NZD/USD	0.7249	-0.0001	-0.0003	-0.0006	-0.0013	CHF	0.6584	0.7060
NZD/AUD	0.9325	-0.0002	-0.0007	-0.0014	-0.0026	CNY	4.6838	5.0231
NZD/JPY	78.91	-0.03	-0.09	-0.20	-0.51	DKK	4.4437	4.7656
NZD/EUR	0.5976	-0.0004	-0.0014	-0.0028	-0.0059	FJD	1.4688	1.5752
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0007	-0.0015	HKD	5.6270	6.0346
						KRW	802.68	860.83
AU TWI	64.50					MYR	2.9750	3.1905
AUD/USD	0.7774	0.0001	0.0003	0.0005	0.0008	NOK	5.9313	6.3610
AUD/NZD	1.0724	0.0003	0.0008	0.0016	0.0031	SEK	6.0631	6.5023
AUD/JPY	84.63	-0.01	-0.04	-0.09	-0.31	SGD	0.9610	1.0306
AUD/EUR	0.6409	-0.0003	-0.0010	-0.0020	-0.0045	TWD	20.18	21.64
AUD/GBP	0.5573	0.0000	0.0001	0.0001	-0.0001	ZAR	10.3617	11.1123
USD Index	90.63							
EUR/USD	1.2129	0.0007	0.0023	0.0047	0.0100	EQUITIES		
USD/JPY	108.88	-0.03	-0.09	-0.19	-0.51			Index
GBP/USD	1.3948	0.0001	0.0003	0.0007	0.0017	NZX50		12,715
EUR/GBP	0.8696	0.0005	0.0014	0.0029	0.0061	ASX200		7,082
						Dow Jones		34,048
						S&P 500		4,209
						FTSE100		6,961
						DAX 30		15,154
						Nikkei		29,054
						COMMODITIES		
								USD
						Dubai Light		64.66
						Brent Crude		68.57
						Gold		1,774.27
						Silver		26.13
						CRB Index		213.25

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.28%	0.24%	0.01%	-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	0.38%	0.35%	0.08%	0.07%
2 year swap	0.48%	0.45%	0.16%	0.15%
3 year swap	0.65%	0.62%	0.34%	0.32%
5 year swap	1.06%	1.03%	0.82%	0.77%
10 year swap	1.80%	1.78%	1.75%	1.74%
10 year Govt bond		1.59%		1.72%

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