

Market Alert

Tuesday 6 April 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7060	-0.0004
NZD/AUD	0.9227	-0.0011
NZD/JPY	77.80	-0.19
NZD/EUR	0.5978	-0.0027
NZD/GBP	0.5077	-0.0006
NZD/CNH	4.5885	0.0616
AUD/USD	0.7652	0.0004
AUD/EUR	0.6478	-0.0022
EUR/USD	1.1812	0.0047
USD/CNH	6.5565	0.0912
GBP/USD	1.3907	0.0007
EUR/GBP	0.8494	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.34%	0.04%
2 year swap	0.45%	0.16%
10 year Govt	1.82%	1.84%

Welcome back, Kotter!

For all those 'Vinnie Barbarino' fans out there ...

Last week saw some extremely positive US data with the headline non-farm payrolls putting in a stellar showing with a jump of 916,000 jobs added to the workforce. This was against a forecast 660,000 and the previous months disappointing 379,000. And, while the unemployment rate eased to 6.0%, the fact that hourly earnings fell -0.1% on the month and 4.2% on the year highlighted the Fed's ongoing concerns about subdued wage pressures.

We also had a very strong ISM Services PMI, which jumped to 63.7 in March, from 55.3 in February, and well above forecasts of 59.0, although new orders for US manufactured goods dropped by 0.8% from a month earlier as factory orders fell for the first time in 10 months.

The generally positive US data saw the major bourses across Asia, Europe and the US all add to their recent gains, with most indices up 2.5-3.0% on a 5 day trading basis, with the Nasdaq being the standout performer up 4.25%.

This 'feel-good' factor has also contributed to the VIX falling in 4 out of the last 5 trading sessions, while yields maintained their slow, constant grind higher, with the US 10 year yield now at 1.715%, the Bund at -0.33%, the NZ 'Govie' at 1.81%, and the Australian yield at 1.83%. Finally, the US Dollar Index slid against most of its major peers as higher equities pushed the dollar lower against commodity currencies and traditional safehavens such as the Swiss franc and JPY.

For every positive, there's a warning

In amongst all of this good news, there was a warning. The IMF announced that a potential surprise tightening by the Federal Reserve could spur an increase in interest rates and capital

outflows from emerging markets. The IMF, in its quarterly update on the global economic outlook, warned that while rising US interest rates have been driven by positive news on economic prospects and COVID-19 vaccines, should central banks in advanced economies suddenly signal greater concern for inflation risks, the world could see a surprise tightening of financial conditions similar to the 2013 'taper tantrum.'

Meanwhile, Treasury Secretary, Janet Yellen, in her first major speech on international economic policy, outlined the case for a harmonized corporate tax rate across the world's major economies as part of an effort to restore global US leadership and credibility with its allies following the unilateralist approach of the Trump era.

In marking an American return to the 'global stage,' she singled out China as she warned that "A lack of global leadership and engagement makes our institutions and economy vulnerable" as the US needs a "strong presence in global markets" to level the playing field.

And speaking of China, politically, things are getting hot after China and the US sent warships into the East and South China seas, while Taiwan reported a new incursion by Chinese fighter jets into air defence zone.



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Daily Rates

Tuesday 6 April 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.47					CAD	0.8841	0.9582
NZD/USD	0.7060	0.0000	-0.0002	-0.0004	-0.0011	CHF	0.6610	0.7164
NZD/AUD	0.9227	-0.0002	-0.0006	-0.0011	-0.0023	CNY	4.6078	4.9940
NZD/JPY	77.80	-0.03	-0.09	-0.19	-0.52	DKK	4.4461	4.8188
NZD/EUR	0.5978	-0.0004	-0.0013	-0.0027	-0.0061	FJD	1.4562	1.5783
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0015	HKD	5.4897	5.9499
						KRW	793.71	860.25
AU TWI	63.40					MYR	2.9144	3.1587
AUD/USD	0.7652	0.0001	0.0003	0.0004	0.0007	NOK	6.0050	6.5084
AUD/NZD	1.0838	0.0002	0.0007	0.0013	0.0027	SEK	6.1448	6.6599
AUD/JPY	84.32	-0.01	-0.04	-0.11	-0.35	SGD	0.9471	1.0265
AUD/EUR	0.6478	-0.0003	-0.0010	-0.0022	-0.0050	TWD	20.14	21.83
AUD/GBP	0.5502	0.0000	0.0001	0.0000	-0.0003	ZAR	10.2748	11.1361
USD Index	92.61							
EUR/USD	1.1812	0.0007	0.0023	0.0047	0.0103	EQUITIES		
USD/JPY	110.20	-0.03	-0.10	-0.21	-0.56			Index
GBP/USD	1.3907	0.0001	0.0004	0.0007	0.0020	NZX50		12,488
EUR/GBP	0.8494	0.0005	0.0014	0.0029	0.0062	ASX200		6,829
						Dow Jones		33,552
						S&P 500		4,076
						FTSE100		6,737
						DAX 30		15,107
						Nikkei		30,089
						COMMODITIES		
								USD
						Dubai Light		61.29
						Brent Crude		62.25
						Gold		1,727.92
						Silver		24.83
						CRB Index		195.62

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.28%	0.24%	0.02%	0.02%
90 day bank bills	0.36%	0.32%	0.06%	0.02%
FRA 90d in 3mths	0.36%	0.35%	0.07%	0.04%
FRA 180d in 6mths	0.37%	0.34%	0.14%	0.13%
1 year swap	0.38%	0.33%	0.08%	0.07%
2 year swap	0.48%	0.43%	0.17%	0.15%
3 year swap	0.66%	0.62%	0.34%	0.33%
5 year swap	1.13%	1.08%	0.89%	0.79%
10 year swap	1.97%	1.92%	1.81%	1.79%
10 year Govt bond		1.81%		1.84%

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