

Market Alert

Wednesday 7 April 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7051	-0.0004
NZD/AUD	0.9204	-0.0011
NZD/JPY	77.46	-0.19
NZD/EUR	0.5941	-0.0027
NZD/GBP	0.5101	-0.0006
NZD/CNH	4.6108	0.0616
AUD/USD	0.7660	0.0005
AUD/EUR	0.6454	-0.0021
EUR/USD	1.1869	0.0046
USD/CNH	6.5430	0.0914
GBP/USD	1.3824	0.0007
EUR/GBP	0.8585	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.35%	0.04%
2 year swap	0.45%	0.15%
10 year Govt	1.78%	1.78%

It's time to pack the speedos

... We're heading for Bondi!

Yesterday the RBA played a straight bat in leaving the cash rate and the 3-year bond yields target at 0.10%, but it was a little coy on which bond it is going to use for its yield curve control as it prefers to wait until later in the year before deciding whether to retain the April 2024 bond as the target bond or to shift to the next maturity.

Apart from that it was the usual. *"Wage, price pressures are subdued and expected to remain so for some years. Underlying inflation is expected to remain below 2% over the next few years. The RBA prepared to undertake*

further bond purchases if necessary but does not expect such conditions to be met until 2024 at the earliest" the statement said.

Regardless of the non-event that was the RBA meeting, the AUD and NZD spent most of the session in the red after Bloomberg reported that *"China is said to have asked banks to reduce credit until year-end"* while equity futures were also trading in negative territory.

The world economy could grow by up to 6.0% this year and 4.4% in 2022, according to the IMF, as *"the upward revision reflects additional fiscal support in a few large economies, the anticipated vaccine-powered recovery in the second half of 2021, and continued adaptation of economic activity to subdued mobility."* Although it then added the caveat that *"high uncertainty surrounds this outlook!"* While the IMF has certainly adopted a 'bob each way' strategy, it does highlight the favourable economic outlook compared to its forecast of a 5.2% expansion last October.

ECB member, Pierre Wunsch, warned that while the euro-area economy is headed for a healthy rebound once COVID-19 restrictions come to an end, investors still need to brace for a bumpy exit from unprecedented stimulus as *"these inflection points need to be handled with care, we've seen that with the taper tantrum."* And while he has been surprised by the resilience of most economies, he added *"households savings are enough to finance 3-5 years of strong consumption."*

While European bourses enjoyed modest gains overnight, US equities were flat as speculators paused to digest the positive news from the last few sessions. Interestingly, the 10-year Treasury yield fell back to the 1.66% level, while commodity and currencies were flat.

Hold to the white gold!

The GDT auction overnight threw up a few contradictions. Overall, the index was up a modest 0.3%, with WMP flat at 0.0%, but butter was up 2.0% and butter milk powder was up an astonishing 17.6%!

While we may all debate the merit of a return to inflationary pressures, one country that is having problems is Russia, which posted annual inflation of 5.8% in March, well above the central banks forecast of 4.0%.

Credit Suisse has cut its dividend, suspended share buy backs, cut bonuses, and rearranged its executive team after announcing a USD4.7 billion loss from their Archegos Capital exposures and a yet to be determined impact from its Greensill loans.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Wednesday 7 April 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.23					CAD	0.8868	0.9635
NZD/USD	0.7051	-0.0001	-0.0002	-0.0004	-0.0011	CHF	0.6568	0.7135
NZD/AUD	0.9204	-0.0002	-0.0006	-0.0011	-0.0024	CNY	4.6086	5.0072
NZD/JPY	77.46	-0.03	-0.09	-0.19	-0.51	DKK	4.4180	4.8000
NZD/EUR	0.5941	-0.0004	-0.0013	-0.0027	-0.0060	FJD	1.4476	1.5728
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0015	HKD	5.4825	5.9566
						KRW	788.91	857.14
AU TWI	64.00					MYR	2.9029	3.1539
AUD/USD	0.7660	0.0001	0.0003	0.0005	0.0008	NOK	5.9862	6.5039
AUD/NZD	1.0865	0.0003	0.0007	0.0013	0.0028	SEK	6.0774	6.6029
AUD/JPY	84.15	-0.01	-0.04	-0.11	-0.33	SGD	0.9442	1.0259
AUD/EUR	0.6454	-0.0003	-0.0010	-0.0021	-0.0049	TWD	20.09	21.83
AUD/GBP	0.5541	0.0000	0.0001	0.0001	-0.0002	ZAR	10.2491	11.1354
USD Index	92.33					EQUITIES		
EUR/USD	1.1869	0.0008	0.0023	0.0046	0.0102		Index	
USD/JPY	109.86	-0.03	-0.10	-0.21	-0.55	NZX50	12,400	
GBP/USD	1.3824	0.0001	0.0004	0.0007	0.0019	ASX200	6,886	
EUR/GBP	0.8585	0.0005	0.0014	0.0029	0.0062	Dow Jones	33,418	
						S&P 500	4,077	
INTEREST		New Zealand		Australia		FTSE100	6,824	
RATES		Borrow	Invest	Borrow	Invest	DAX 30	15,213	
30 day bank bills		0.28%	0.24%	0.02%	0.02%	Nikkei	29,697	
90 day bank bills		0.37%	0.33%	0.06%	0.02%	COMMODITIES		
FRA 90d in 3mths		0.36%	0.33%	0.07%	0.04%		USD	
FRA 180d in 6mths		0.38%	0.35%	0.14%	0.12%	Dubai Light	60.64	
1 year swap		0.37%	0.34%	0.09%	0.05%	Brent Crude	62.76	
2 year swap		0.47%	0.44%	0.16%	0.14%	Gold	1,741.58	
3 year swap		0.65%	0.62%	0.32%	0.30%	Silver	25.12	
5 year swap		1.10%	1.07%	0.82%	0.80%	CRB Index	197.49	
10 year swap		1.91%	1.88%	1.75%	1.74%			
10 year Govt bond			1.77%		1.78%			

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED