

Market Alert

Friday 9 April 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7054	-0.0005
NZD/AUD	0.9218	-0.0011
NZD/JPY	77.09	-0.19
NZD/EUR	0.5921	-0.0027
NZD/GBP	0.5137	-0.0006
NZD/CNH	4.6112	0.0585
AUD/USD	0.7652	0.0004
AUD/EUR	0.6423	-0.0022
EUR/USD	1.1914	0.0046
USD/CNH	6.5586	0.0873
GBP/USD	1.3732	0.0007
EUR/GBP	0.8676	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.33%	0.04%
2 year swap	0.44%	0.15%
10 year Govt	1.74%	1.74%

Eat the rich!

While the global economic recovery starts to gain momentum, in the new world of equality, attention is turning to low-income workers and the implications of price increases. As low-income workers bore the brunt of job losses during the pandemic, they are now getting hit the hardest by price increases.

With US headline consumer inflation subdued at 1.7%, subtle price increases are masking large differences in what US citizens are actually buying. As an example, some of the biggest price hikes of recent months have come in gasoline and food inflation which is running at

more than double the headline rate. Price increases like these are causing trouble all over the world — and they tend to impact and hurt low-wage earners the most as they take up a bigger share of their monthly shopping basket than is the case for wealthier households.

This is the implication of the K-shaped recovery and is most relevant in the US where the richest 10% of households captured 70% of the wealth created in 2020, according to the Federal Reserve, while the bottom half attracted just 4%.

Simply put, this is why central bank governors around the world are so focused on wage inflation and full employment and, by allowing their economies to run hotter with inflationary pressures, it will actually help to reduce income inequality as it will support a strong jobs market that will ultimately benefit the lowest paid the most.

Overnight, there was little of note to talk about. US initial claims rose to 744k, above market expectations of 680k, with continuing claims at 3,734k, while the EU PPI's came in near expectations at 0.5% on the month and 1.5% on the year.

In New Zealand, business confidence and the activity outlook took a hit in April because activity was flat to weaker as cost pressures intensified and firms fretted about profits. Confidence fell from -4.1 to -8.4, while the own activity outlook eased from 16.6 to 16.4. Most concerning was the 3-point fall in

capacity utilisation, as it is a proxy for GDP.

There was also little Australian data of note so the Trade Minister, Dan Tehan, thought he would stoke up international relations announcing that the Australian government will protect the country's sovereignty and national interest. This was in response to a warning from the Chinese ambassador that it will “*respond in kind*” if Canberra joins sanctions on officials accused of human rights abuses.

Speaking of China, a PBoC research paper has highlighted that an extended household credit boom could drag down economic growth more so than corporate debt after researchers ascertained that household leverage has slowed real per-capita GDP growth by 3.7% over the last five years.

Finally, BoE member and person with the most recognisable English name, Silvana Tenreyro, stated that negative interest rates “*have been effective, they work very well, and we should expect them to work well if they are needed.*”

Snooze-fest

As mentioned, equities, commodities, bonds, and FX were all quiet with the main movers being the NZD and AUD, which rallied 0.40%, and the 10-year US treasury which eased 5 pips to yield 1.625%.



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Daily Rates

Friday 9 April 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.31					CAD	0.8862	0.9613
NZD/USD	0.7054	-0.0001	-0.0002	-0.0005	-0.0011	CHF	0.6520	0.7073
NZD/AUD	0.9218	-0.0002	-0.0006	-0.0011	-0.0023	CNY	4.6162	5.0078
NZD/JPY	77.09	-0.03	-0.09	-0.19	-0.49	DKK	4.4034	4.7770
NZD/EUR	0.5921	-0.0004	-0.0013	-0.0027	-0.0059	FJD	1.4566	1.5802
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0015	HKD	5.4851	5.9504
						KRW	788.29	855.16
AU TWI	63.90					MYR	2.9058	3.1523
AUD/USD	0.7652	0.0001	0.0002	0.0004	0.0007	NOK	5.9692	6.4756
AUD/NZD	1.0848	0.0002	0.0007	0.0013	0.0027	SEK	6.0217	6.5325
AUD/JPY	83.63	-0.01	-0.05	-0.11	-0.33	SGD	0.9456	1.0258
AUD/EUR	0.6423	-0.0003	-0.0010	-0.0022	-0.0049	TWD	20.06	21.76
AUD/GBP	0.5573	0.0000	0.0000	0.0000	-0.0002	ZAR	10.2446	11.1137
USD Index	92.09							
EUR/USD	1.1914	0.0007	0.0023	0.0046	0.0102	EQUITIES		
USD/JPY	109.30	-0.03	-0.10	-0.20	-0.53			Index
GBP/USD	1.3732	0.0001	0.0004	0.0007	0.0018	NZX50		12,633
EUR/GBP	0.8676	0.0005	0.0014	0.0029	0.0063	ASX200		6,999
						Dow Jones		33,490
						S&P 500		4,095
						FTSE100		6,942
						DAX 30		15,203
						Nikkei		29,709
						COMMODITIES		
								USD
						Dubai Light		60.42
						Brent Crude		63.30
						Gold		1,755.40
						Silver		25.45
						CRB Index		199.12

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	0.35%	0.31%	0.06%	0.02%
FRA 90d in 3mths	0.35%	0.32%	0.08%	0.05%
FRA 180d in 6mths	0.37%	0.34%	0.15%	0.14%
1 year swap	0.36%	0.34%	0.09%	0.07%
2 year swap	0.45%	0.42%	0.16%	0.15%
3 year swap	0.63%	0.60%	0.30%	0.29%
5 year swap	1.06%	1.04%	0.82%	0.72%
10 year swap	1.85%	1.83%	1.70%	1.68%
10 year Govt bond		1.73%		1.74%

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