

# Market Alert

Monday 10 May 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7284	-0.0006
NZD/AUD	0.9281	-0.0013
NZD/JPY	79.12	-0.19
NZD/EUR	0.5988	-0.0027
NZD/GBP	0.5209	-0.0006
NZD/CNH	4.6747	0.0559
AUD/USD	0.7848	0.0005
AUD/EUR	0.6452	-0.0020
EUR/USD	1.2163	0.0045
USD/CNH	6.4185	0.0822
GBP/USD	1.3982	0.0005
EUR/GBP	0.8699	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.37%	0.04%
2 year swap	0.52%	0.15%
10 year Govt	1.73%	1.68%

## Non-farm disappoints

With most economic forecasters calling for a headline non-farm payroll number around the 1 million mark, the actual +266,000 print was a major disappointment. The huge miss validates the Fed's argument that the economy is nowhere close to full employment, with traders awaiting this week's US CPI release for an insight as to whether there are any inflationary pressures in the pipeline.

Following on from a 5 day holiday at the start of May, China reverted to BAU on Friday with the release of services and composite PMIs, with both exceeding

expectations at 56.3 and 54.7. We also had the release of the China April export numbers but given that April 2020 was essentially a lock-down month in China, it is a little difficult to be objective when exports rise 32.3%, and imports grow at 43.1% in USD terms!

Yawn, the RBA minutes stated ... wait for it ... they will not raise rates until actual inflation hits its target range, which is unlikely to be at least until 2024. Wow – I didn't see that one coming! Interestingly, the RBA did raise their jobless and inflation forecasts to 4.5% and 2.0% in June of 2023. Friday also saw the release of the Australia services PMI for April which jumped to 61.0 from its previous print of 58.7.

Last week saw the NZ Treasury publish its 9 month interim financial statements of the Crown accounts, which showed the domestic economy's performance and fiscal position continues to be stronger than originally forecast with tax revenues NZD4.0 billion above the half-year forecast, reflecting an improvement in economic conditions, higher profitability, a better labour market, and stronger domestic spending. The unemployment rate also declined to 4.7% in the March quarter, down from 4.9% previously, confirming a solid labour market. This ultimately saw the RBNZ raise its Q2 inflation expectations a touch, with the 1 year up to 1.87% from 1.73% and the 2 years increasing to 2.05% from 1.89%.

The Fed, in their Financial Stability report, suggested a range of asset prices could be vulnerable to large and sudden declines if risk appetite falls.

Furthermore, household debt is moderate relative to income, and delinquency rates remained unchanged for most types of loans. Ultimately, the Fed seems relaxed, despite some of those points being indicative of potential instabilities brewing.

## To summarise

All-up, the disappointing US data underscored the Fed's position that the economic recovery has a long way to go and interest rate hikes remain some way off as "we are somewhere between 8-10 million jobs below where we were before the pandemic" according to Fed member Neel Kashkari.

This saw US and European equities rally, while the US dollar index broke support levels to drive the 'risk' currencies to short-term highs, as was reflected in the weekly forex futures positioning data which saw fresh longs added to the NZD, AUD, GBP, and EUR.

Finally, a series of major cyber attacks in recent weeks in the US accumulated in an attack on the Colonial Pipeline, which threatened to up-end gasoline and diesel supplies on the East Coast.



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# Daily Rates

Monday 10 May 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.55					CAD	0.8837	0.9522
NZD/USD	0.7284	-0.0001	-0.0003	-0.0006	-0.0014	CHF	0.6559	0.7067
NZD/AUD	0.9281	-0.0002	-0.0007	-0.0013	-0.0027	CNY	4.6859	5.0489
NZD/JPY	79.12	-0.03	-0.09	-0.19	-0.49	DKK	4.4529	4.7979
NZD/EUR	0.5988	-0.0004	-0.0013	-0.0027	-0.0059	FJD	1.4776	1.5920
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0015	HKD	5.6564	6.0945
						KRW	810.44	873.22
AU TWI	64.40					MYR	2.9721	3.2023
AUD/USD	0.7848	0.0001	0.0003	0.0005	0.0008	NOK	5.9822	6.4456
AUD/NZD	1.0775	0.0002	0.0008	0.0015	0.0031	SEK	6.0579	6.5272
AUD/JPY	85.26	-0.01	-0.03	-0.08	-0.28	SGD	0.9650	1.0398
AUD/EUR	0.6452	-0.0003	-0.0010	-0.0020	-0.0045	TWD	20.31	21.89
AUD/GBP	0.5613	0.0000	0.0001	0.0001	0.0000	ZAR	10.2585	11.0532
USD Index	90.23							
EUR/USD	1.2163	0.0007	0.0022	0.0045	0.0096	<b>EQUITIES</b>		
USD/JPY	108.64	-0.02	-0.08	-0.17	-0.46			<b>Index</b>
GBP/USD	1.3982	0.0001	0.0003	0.0005	0.0014	NZX50		12,730
EUR/GBP	0.8699	0.0005	0.0014	0.0029	0.0060	ASX200		7,081
						Dow Jones		34,778
						S&P 500		4,233
						FTSE100		7,130
						DAX 30		15,400
						Nikkei		29,358
						<b>COMMODITIES</b>		
								<b>USD</b>
						Dubai Light		65.70
						Brent Crude		68.28
						Gold		1,830.43
						Silver		27.43
						CRB Index		219.94

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.29%	0.25%	0.02%	0.00%
90 day bank bills	0.39%	0.35%	0.06%	0.02%
FRA 90d in 3mths	0.37%	0.34%	0.07%	0.04%
FRA 180d in 6mths	0.42%	0.39%	0.14%	0.12%
1 year swap	0.40%	0.37%	0.09%	0.06%
2 year swap	0.54%	0.51%	0.17%	0.14%
3 year swap	0.74%	0.71%	0.33%	0.29%
5 year swap	1.17%	1.14%	0.79%	0.77%
10 year swap	1.90%	1.87%	1.70%	1.70%
10 year Govt bond		1.71%		1.68%

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