

Market Alert

Tuesday 11 May 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7272	-0.0006
NZD/AUD	0.9277	-0.0013
NZD/JPY	79.09	-0.19
NZD/EUR	0.5989	-0.0027
NZD/GBP	0.5145	-0.0006
NZD/CNH	4.6681	0.0530
AUD/USD	0.7839	0.0005
AUD/EUR	0.6456	-0.0020
EUR/USD	1.2142	0.0045
USD/CNH	6.4197	0.0778
GBP/USD	1.4134	0.0006
EUR/GBP	0.8591	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.38%	0.04%
2 year swap	0.54%	0.15%
10 year Govt	1.77%	1.71%

The big question of the day

With little data of note overnight, attention turned to inflation ahead of Thursday's US CPI release ... and this is where the question "how many economists does it take to change a light-bulb?" comes from.

Manufacturers and producers are once again struggling to keep pace with the rapidly expanding economic re-openings as supply chain pressures and higher commodity prices impact production and delivery times. This was evidenced as iron ore futures surged 10% on their opening, copper hit yet another record

high, the Baltic Dry shipping index rallied a further 1.8%, while the 12-month US inflation expectations increased to 3.4% in April, its highest level since 2013.

Against this, the vast majority of central banks maintain their view that the shortages in materials and supply chain challenges as temporary, that inflationary pressures are transient, and they will 'look through' the upcoming increases. Companies have a different rhetoric. They believe that the constraints will linger well into 2022, while wage growth is beginning to percolate as highlighted by a recent US Labor Department Employment Cost Index (ECI), which showed that wages in the private sector climbed in Q1 by the most in 18 years.

And this won't help the debate either with Goldmans bullish commodity call implying a "Goldilocks situation" is emerging, suggesting that traders should stay long in copper, crude, natural gas, and aluminum, which saw commodity future indexes spiking higher on the Chinese open with steel rebar and iron ore rallying nearly 10%.

Ultimately, Thursday morning will provide the first insight into the great central bank versus financial market inflation stand-off of 2021, with forecasters predicting a headline YoY print of 3.6%, with the core at 2.3%.

Meanwhile, the US government has declared a state of emergency over the Colonial Pipeline cyber attack that

forced the shutdown of circa 50% of east coast petrol and diesel supply. Allegedly, the attack was undertaken by a criminal gang known as 'DarkSide' that has cultivated a Robin Hood image of stealing from corporations and giving a cut to charity. Yep, its official, I've now seen it all!

Australian Retail Sales for March was up 1.3% on the month against a forecast of 1.4% following on from February's 0.8% contraction. Meanwhile, the April business confidence index soared to 26 from 17, while the conditions index also spiked to 32 from 24. So, slightly weaker retail sales while the business outlook hit record highs.

The S&P launched 3 Crypto indexes last week, namely, a Bitcoin Index, an Ethereum Index, and a Crypto Mega Cap Index. The launch has also seen Ethereum hit a new record high above USD4,000.

And how many?

It takes 100 economists to change a light bulb ... 1 to screw the light bulb in and 99 to debate the supply and demand metric's of that individual bulb that will provide 1,736 projected inflationary outcomes!



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.42					CAD	0.8792	0.9478
NZD/USD	0.7272	-0.0001	-0.0002	-0.0006	-0.0015	CHF	0.6550	0.7060
NZD/AUD	0.9277	-0.0002	-0.0006	-0.0013	-0.0028	CNY	4.6825	5.0477
NZD/JPY	79.09	-0.02	-0.09	-0.19	-0.50	DKK	4.4534	4.8007
NZD/EUR	0.5989	-0.0004	-0.0013	-0.0027	-0.0059	FJD	1.4654	1.5797
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0015	HKD	5.6467	6.0870
						KRW	811.97	875.29
AU TWI	64.80					MYR	2.9938	3.2272
AUD/USD	0.7839	0.0001	0.0003	0.0005	0.0007	NOK	6.0077	6.4763
AUD/NZD	1.0780	0.0002	0.0007	0.0015	0.0032	SEK	6.0586	6.5311
AUD/JPY	85.26	-0.01	-0.04	-0.09	-0.28	SGD	0.9642	1.0393
AUD/EUR	0.6456	-0.0003	-0.0010	-0.0020	-0.0045	TWD	20.19	21.77
AUD/GBP	0.5546	0.0000	0.0001	0.0001	0.0000	ZAR	10.2124	11.0088
USD Index	90.22							
EUR/USD	1.2142	0.0008	0.0022	0.0045	0.0096	EQUITIES		
USD/JPY	108.78	-0.03	-0.08	-0.17	-0.46			Index
GBP/USD	1.4134	0.0001	0.0003	0.0006	0.0014	NZX50		12,659
EUR/GBP	0.8591	0.0005	0.0014	0.0029	0.0060	ASX200		7,173
						Dow Jones		34,788
						S&P 500		4,204
						FTSE100		7,124
						DAX 30		15,400
						Nikkei		29,518
						COMMODITIES		
								USD
						Dubai Light		66.41
						Brent Crude		68.27
						Gold		1,837.25
						Silver		27.32
						CRB Index		219.09

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.29%	0.25%	0.02%	0.02%
90 day bank bills	0.40%	0.36%	0.06%	0.02%
FRA 90d in 3mths	0.38%	0.35%	0.07%	0.04%
FRA 180d in 6mths	0.46%	0.43%	0.13%	0.12%
1 year swap	0.40%	0.38%	0.08%	0.06%
2 year swap	0.55%	0.52%	0.15%	0.14%
3 year swap	0.75%	0.73%	0.32%	0.30%
5 year swap	1.20%	1.18%	0.82%	0.75%
10 year swap	1.94%	1.92%	1.73%	1.72%
10 year Govt bond		1.75%		1.71%

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