

Market Alert

Monday 17 May 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7243	-0.0005
NZD/AUD	0.9309	-0.0012
NZD/JPY	79.19	-0.18
NZD/EUR	0.5965	-0.0026
NZD/GBP	0.5139	-0.0005
NZD/CNH	4.6627	0.0547
AUD/USD	0.7781	0.0005
AUD/EUR	0.6407	-0.0019
EUR/USD	1.2145	0.0044
USD/CNH	6.4378	0.0803
GBP/USD	1.4095	0.0004
EUR/GBP	0.8616	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.36%	0.04%
2 year swap	0.55%	0.15%
10 year Govt	1.89%	1.80%

More of a grind than a boom!

In what has been a roller coaster of economic data releases, the US ended last week with a 'lower-for-longer' bias after retail sales unexpectedly stalled in April at 0.0% on the month, which was way below the expected 1.0% rise! And while this followed an upwardly revised 10.7% surge in March, when the first round of stimulus checks were sent to households, with the ex-auto number coming in even weaker, at -0.8%, it highlights the 'stop-start' nature of the US recovery.

To add to the mix, the balance of US data releases was also broadly below expectations after the University of

Michigan survey saw the sentiment and current conditions indexes fall almost 10 pips to 82.8 and 90.8, while their 1 and 5-year inflation forecasts came out at +4.6% and +3.1%. Industrial production was also slightly weaker at +0.7% on the month, while capacity utilisation eased back to 74.9%.

On the 'other-side-of-the-coin' China's robust economic momentum looks set to continue and their factory-led recovery appears to have broadened out to the consumer with initial estimates suggesting industrial output may have risen by as much as 10% on the year, while retail sales are forecast to have expanded by 25% over the same period. While the proof will be in the numbers later today, a continuation of the recent export boom, even amid a slower credit expansion, would suggest that China remains one of the main driving forces for global growth this year.

Friday evening's price action saw European and US bourses close in positive territory as dovish remarks from several Fed officials soothed concerns that rising inflation will prompt the US central bank to tighten policy sooner than expected. Still, the indexes suffered their biggest weekly declines since late February as sentiment continuously flipped and turned. Commodities were mixed, although some of the 'heat' was taken out of steel, lumber, and iron ore as they ended the session down 3.9%, 4.3% and 5.35%, while yields gave up some of

their gains with the US 10-year at 1.63% and the bund at -0.13%. Against this, the NZD and AUD recovered some of their sparkle.

Fed member, James Bullard, announced the US economy will grow beyond the pre-pandemic level of output by the end of June to essentially move from "recovery" to "expansion" as fiscal policy to sustain households has worked "well beyond initial hopes. It's a judgement call on whether inflation is transitory. Monetary policy is in a good position (and we) do not want to shift policy in a crisis."

The NZ manufacturing PMI number for April, at 58.4, was another positive outcome despite falling from March's 63.6.

Wage inflation?

We may be about to see the start of wage inflation in the US after McDonald's, who require an additional 10,000 staff, announced plans to increase starting wages by 10%, while Amazon, who are after 75,000 staff, are planning to start workers at USD17 per hour with a USD1,000 sign-on bonus in some cases. Time will tell if anyone is still keen to work for a living...



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Daily Rates

Monday 17 May 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.39					CAD	0.8771	0.9422
NZD/USD	0.7243	-0.0001	-0.0002	-0.0005	-0.0015	CHF	0.6536	0.7021
NZD/AUD	0.9309	-0.0002	-0.0006	-0.0012	-0.0027	CNY	4.6608	5.0070
NZD/JPY	79.19	-0.03	-0.09	-0.18	-0.49	DKK	4.4353	4.7648
NZD/EUR	0.5965	-0.0004	-0.0013	-0.0026	-0.0058	FJD	1.4768	1.5865
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0005	-0.0014	HKD	5.6312	6.0495
						KRW	817.13	877.83
AU TWI	64.00					MYR	2.9733	3.1942
AUD/USD	0.7781	0.0001	0.0003	0.0005	0.0007	NOK	5.9599	6.4026
AUD/NZD	1.0743	0.0002	0.0007	0.0014	0.0032	SEK	6.0385	6.4870
AUD/JPY	85.04	-0.01	-0.03	-0.08	-0.28	SGD	0.9658	1.0375
AUD/EUR	0.6407	-0.0003	-0.0009	-0.0019	-0.0043	TWD	20.27	21.78
AUD/GBP	0.5521	0.0000	0.0001	0.0002	0.0001	ZAR	10.2469	11.0081
USD Index	90.32							
EUR/USD	1.2145	0.0007	0.0022	0.0044	0.0094	EQUITIES		
USD/JPY	109.30	-0.02	-0.08	-0.18	-0.46			Index
GBP/USD	1.4095	0.0001	0.0002	0.0004	0.0009	NZX50		12,368
EUR/GBP	0.8616	0.0005	0.0014	0.0029	0.0061	ASX200		7,014
						Dow Jones		34,382
						S&P 500		4,174
						FTSE100		7,044
						DAX 30		15,417
						Nikkei		28,084
						COMMODITIES		
								USD
						Dubai Light		65.42
						Brent Crude		68.71
						Gold		1,842.61
						Silver		27.40
						CRB Index		216.04

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	0.38%	0.34%	0.06%	0.02%
FRA 90d in 3mths	0.37%	0.33%	0.07%	0.04%
FRA 180d in 6mths	0.46%	0.43%	0.14%	0.13%
1 year swap	0.40%	0.37%	0.08%	0.06%
2 year swap	0.56%	0.53%	0.16%	0.14%
3 year swap	0.78%	0.76%	0.34%	0.30%
5 year swap	1.25%	1.22%	0.82%	0.80%
10 year swap	2.02%	1.99%	1.76%	1.76%
10 year Govt bond		1.88%		1.80%

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