

Market Alert

Tuesday 18 May 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7217	-0.0005
NZD/AUD	0.9288	-0.0013
NZD/JPY	78.79	-0.18
NZD/EUR	0.5936	-0.0026
NZD/GBP	0.5104	-0.0005
NZD/CNH	4.6485	0.0563
AUD/USD	0.7770	0.0005
AUD/EUR	0.6391	-0.0019
EUR/USD	1.2158	0.0044
USD/CNH	6.4414	0.0827
GBP/USD	1.4141	0.0004
EUR/GBP	0.8598	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.35%	0.04%
2 year swap	0.55%	0.15%
10 year Govt	1.88%	1.75%

All quiet on the Western front

Markets were quiet overnight with European indices up slightly while the main US markets were all lower. Against this, commodity markets put in a good session with oil and metals up 1.0%-1.5%, and it should also be noted that gasoline prices in the US have hit a 7-year high.

Bonds and FX markets were also quiet with the US 10-year yield at 1.64%, the bund at -0.11%, and the NZD/USD and AUD/USD slightly lower from the Asian close.

One of the local NZ banks is now forecasting the RBNZ will begin raising the OCR in August 2022, with gradual but steady increases, taking the OCR to 1.25% by the end of 2023. This has seen the futures market price in an 80% chance of a 25 basis point hike by July 2022, which is pretty impressive when you consider that the Fed, BoC, RBA, and the ECB are all pricing in 0% chance of hikes by then!

Yesterday's Chinese data came in below forecasts, with April's annualised industrial production up 9.8% (expected 10.0%) while retail sales grew at 'just' 17.7% (expected 25.0%).

In releasing the data, the National Bureau of Statistics were cautious announcing "China's economy showed steady improvement in April (although the) foundation for economic recovery is not solid. New problems in the economy are emerging. China will keep its economic operations within a reasonable range." In other Chinese releases, the unemployment rate eased to 5.1%, while April's new home sales increased 0.48% from March's 0.41%.

While China has imposed an informal ban on Australian thermal coal since 2020, the word on the street is that the ban will likely remain in place until 2022.

The New Zealand services PMI for April hit 61.2 from March's 52.4, although "supply issues obviously remain a significant

issue for many, especially when viewed alongside very strong demand side indicators."

Blackrock has announced "Don't be surprised by surprising data! Hotter inflation has materialized, and market volatility is rising as the economic restart gathers pace, but we prefer to look through any volatility and see a later 'lift-off' from zero rates than markets expect."

The Elon Musk section

With his twitter finger running at an uncontrollable speed, Elon Musk has implied Tesla is selling, or possibly has sold, all of its bitcoin! And guess what, there is a new crypto, called – well, I won't tell you what it's called but – it starts with 'F' and ends with 'Elon'!

Michael Burry, made famous in the movie, 'The Big Short' as one of the first investors to identify and position himself for the subprime mortgage crisis, is long puts against 800,100 shares of Tesla, or simply, he has a USD534 million bet that Tesla shares will fall. As an FYI, Tesla fell 4% overnight bringing its month-to-date losses to more than 20%.

Finally, according to US regulators, Elon Musk impersonators stole more than USD2 million in crypto scams since last October.



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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	75.17					CAD	0.8709	0.9376
NZD/USD	0.7217	-0.0001	-0.0002	-0.0005	-0.0014	CHF	0.6514	0.7013
NZD/AUD	0.9288	-0.0002	-0.0006	-0.0013	-0.0027	CNY	4.6399	4.9956
NZD/JPY	78.79	-0.02	-0.08	-0.18	-0.48	DKK	4.4140	4.7523
NZD/EUR	0.5936	-0.0004	-0.0012	-0.0026	-0.0057	FJD	1.4623	1.5744
NZD/GBP	0.5248	-0.0001	-0.0002	-0.0005	-0.0014	HKD	5.6044	6.0340
						KRW	820.13	883.00
AU TWI	64.20					MYR	2.9808	3.2093
AUD/USD	0.7770	0.0001	0.0003	0.0005	0.0007	NOK	5.9578	6.4145
AUD/NZD	1.0767	0.0002	0.0007	0.0015	0.0032	SEK	6.0084	6.4689
AUD/JPY	84.83	-0.01	-0.03	-0.08	-0.27	SGD	0.9634	1.0372
AUD/EUR	0.6391	-0.0003	-0.0009	-0.0019	-0.0043	TWD	20.27	21.83
AUD/GBP	0.5495	0.0000	0.0001	0.0002	0.0002	ZAR	10.1719	10.9516
USD Index	90.17							
EUR/USD	1.2158	0.0007	0.0022	0.0044	0.0093	EQUITIES		
USD/JPY	109.18	-0.03	-0.08	-0.18	-0.45			Index
GBP/USD	1.4141	0.0001	0.0002	0.0004	0.0009	NZX50		12,410
EUR/GBP	0.8598	0.0005	0.0014	0.0029	0.0060	ASX200		7,024
						Dow Jones		34,332
INTEREST RATES								
		New Zealand		Australia				
		Borrow	Invest	Borrow	Invest	S&P 500		4,158
30 day bank bills		0.30%	0.26%	0.02%	-0.01%	FTSE100		7,033
90 day bank bills		0.37%	0.33%	0.06%	0.02%	DAX 30		15,397
FRA 90d in 3mths		0.36%	0.33%	0.07%	0.04%	Nikkei		27,825
FRA 180d in 6mths		0.46%	0.43%	0.14%	0.13%	COMMODITIES		
1 year swap		0.40%	0.37%	0.08%	0.06%			USD
2 year swap		0.56%	0.53%	0.15%	0.14%	Dubai Light		66.39
3 year swap		0.78%	0.75%	0.33%	0.31%	Brent Crude		69.50
5 year swap		1.24%	1.21%	0.83%	0.81%	Gold		1,865.81
10 year swap		1.99%	1.96%	1.78%	1.76%	Silver		28.18
10 year Govt bond			1.86%		1.75%	CRB Index		218.86

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