

Market Alert

Wednesday 19 May 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7246	-0.0005
NZD/AUD	0.9293	-0.0013
NZD/JPY	78.92	-0.18
NZD/EUR	0.5926	-0.0026
NZD/GBP	0.5106	-0.0005
NZD/CNH	4.6517	0.0550
AUD/USD	0.7798	0.0005
AUD/EUR	0.6377	-0.0019
EUR/USD	1.2227	0.0045
USD/CNH	6.4204	0.0805
GBP/USD	1.4192	0.0004
EUR/GBP	0.8616	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.34%	0.04%
2 year swap	0.56%	0.16%
10 year Govt	1.89%	1.78%

All kicking off in Australia

The minutes of the 4 May RBA meeting were released yesterday afternoon, and if it wasn't clear before, it should be clear now, that the RBA isn't going to budge on rates until 2024.

The exact wording is a bit wordy, but is as follows: "The Board will not increase the cash rate until actual inflation is sustainably within the 2 to 3 per cent target range. For this to occur, wages growth would need to be materially higher than it is currently. This would require significant gains in employment and a return to a tight labour market. The Board viewed these conditions as unlikely until 2024 at the earliest."

The RBA also noted that the Term Funding Facility is available until 30 June 2021 at the cash rate of 0.10% and the banks had drawn down AUD100 billion and that a further AUD100 billion was still available. "The facility provides funding for 3 years, which means it will continue to support low funding costs in Australia until mid-2024".

At the July meeting to come, the RBA Board will consider a further AUD100 billion of "future bond purchases following the completion in September [2021] of the second AUD100 billion of purchases under the government bond purchase program". The RBA will also decide whether to retain the April 2024 bond as the target bond for the 3-year yield target or to shift to the next maturity, the November 2024 bond.

Elsewhere in Australian news, a few more barbs came from China. The National Development and Reform Commission of the People's Republic of China ("NDRC") said Australia should "stop interfering with bilateral trade" and that Australia should take responsibility for suspension of bilateral economic dialogue mechanism. Err, wasn't it China who stopped the China-Australia economic dialogue mechanism?

Anyway, the NDRC also said it was seeking wider sources of iron ore, which is another clear shot across Australia's bow. Iron ore futures are hovering

around USD215.00 per tonne, just off the recent record high.

Markets were relatively flat overnight with all US index's ending up in the red after big tech firms couldn't hold onto their initial gains. The US 10 year bond traded slightly lower at 1.64% while the NZD/USD and the AUD/USD are flat at 0.7245 and 0.7799 respectively.

Double dips

The Eurozone shed jobs at the beginning of this year after the strict lockdowns created a double dip recession. Employment fell by 0.3% for the March quarter after two consecutive gains while the economy shrank 0.6% in the same quarter. On a yearly basis, the somewhat crippled economy shrank 1.8% for the year and employment fell 2.1%.

The outlook is positive for the monetary union as the European Commission recently updated its economic outlook and now predicts growth of 4.3% this year and 4.4% for 2022.

Meanwhile, Japan's GDP contracted 1.3% in the first quarter resulting in a 5.1% contraction for the year, this raises the possibility for a double dip recession as the country still battles with high infection levels and the vaccine rollout.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Wednesday 19 May 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.26					CAD	0.8739	0.9404
NZD/USD	0.7246	-0.0001	-0.0002	-0.0005	-0.0015	CHF	0.6503	0.6997
NZD/AUD	0.9293	-0.0002	-0.0006	-0.0013	-0.0027	CNY	4.6547	5.0088
NZD/JPY	78.92	-0.02	-0.08	-0.18	-0.48	DKK	4.4067	4.7419
NZD/EUR	0.5926	-0.0004	-0.0012	-0.0026	-0.0057	FJD	1.4690	1.5808
NZD/GBP	0.5248	-0.0001	-0.0002	-0.0005	-0.0014	HKD	5.6266	6.0547
						KRW	816.32	878.43
AU TWI	64.30					MYR	2.9910	3.2185
AUD/USD	0.7798	0.0001	0.0003	0.0005	0.0007	NOK	5.9523	6.4051
AUD/NZD	1.0761	0.0002	0.0007	0.0015	0.0032	SEK	5.9983	6.4546
AUD/JPY	84.93	-0.01	-0.03	-0.08	-0.27	SGD	0.9633	1.0366
AUD/EUR	0.6377	-0.0003	-0.0009	-0.0019	-0.0042	TWD	20.23	21.77
AUD/GBP	0.5494	0.0001	0.0001	0.0002	0.0001	ZAR	10.1383	10.9096
USD Index	89.77							
EUR/USD	1.2227	0.0007	0.0022	0.0045	0.0093	EQUITIES		
USD/JPY	108.92	-0.02	-0.08	-0.18	-0.45		Index	
GBP/USD	1.4192	0.0001	0.0002	0.0004	0.0010	NZX50	12,429	
EUR/GBP	0.8616	0.0005	0.0014	0.0029	0.0060	ASX200	7,066	
						Dow Jones	34,061	
INTEREST		New Zealand		Australia		S&P 500	4,149	
RATES		Borrow	Invest	Borrow	Invest	FTSE100	7,034	
30 day bank bills		0.30%	0.26%	0.02%	0.02%	DAX 30	15,387	
90 day bank bills		0.36%	0.32%	0.06%	0.02%	Nikkei	28,407	
FRA 90d in 3mths		0.35%	0.32%	0.07%	0.04%			
FRA 180d in 6mths		0.46%	0.43%	0.13%	0.12%	COMMODITIES		
1 year swap		0.40%	0.37%	0.07%	0.06%		USD	
2 year swap		0.58%	0.55%	0.16%	0.15%	Dubai Light	68.25	
3 year swap		0.80%	0.77%	0.34%	0.33%	Brent Crude	68.83	
5 year swap		1.26%	1.22%	0.86%	0.80%	Gold	1,868.47	
10 year swap		2.01%	1.98%	1.78%	1.77%	Silver	28.17	
10 year Govt bond			1.88%	1.78%	1.78%	CRB Index	218.68	

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED