

Market Alert

Thursday 20 May 2021

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.7169 | -0.0005 |
| NZD/AUD | 0.9277 | -0.0012 |
| NZD/JPY | 78.30 | -0.18 |
| NZD/EUR | 0.5887 | -0.0025 |
| NZD/GBP | 0.5077 | -0.0005 |
| NZD/CNH | 4.6148 | 0.0542 |
| AUD/USD | 0.7728 | 0.0005 |
| AUD/EUR | 0.6347 | -0.0019 |
| EUR/USD | 1.2176 | 0.0044 |
| USD/CNH | 6.4377 | 0.0801 |
| GBP/USD | 1.4120 | 0.0004 |
| EUR/GBP | 0.8624 | 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 | 1.88% | 1.77% |

An 'if', a 'but', and a 'maybe'

The USD rallied and equities suffered after the Fed minutes suggested it may be time to start thinking about tapering their bond purchasing programme given the recent pressure on wages and input prices.

The minutes showed "a number of participants suggested that if the economy continued to make rapid progress toward the Committee's goals, it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases." Although any tapering moves would increase the risk

to equities with "A couple of participants remarked that, should investor risk appetite fall, an associated drop in asset prices coupled with high business and financial leverage could have adverse implications for the real economy."

In saying all of the above, the minutes also stated the usual "the economy remains far from its dual-mandate goals and it will be some time before substantial further progress is made."

Ultimately, while this is just a whisper that the Fed may at some stage start the discussion of tapering, it has nevertheless seen the markets start positioning themselves ahead of the discussion. This saw the Euro ease -0.40%, the AUD fall -0.9%, and the NZD decline -1.15% while the US 10-year yield increased to 1.68% and the bund flatlined at -0.11%.

Unsurprisingly, European and US bourses closed, or are about to close, in the red extending losses for a third successive day down 0.75%-1.50%, while commodity prices all headed south as well. Even Bitcoin weakened on the news, or possibly a tweet, to be down 10.8% and below the psychological USD40,000 level, still, on the positive side, at least it's above the day's lows as at one stage it was down almost 30%!

In other data releases, it was all about inflation after the UK's annual inflation rate increased to 1.5% in April from 0.7% in March, slightly higher than

the market forecasts of 1.4%, while in Canada, inflation surged to 3.4% in April, which was up from March's 2.2% and higher than the 3.2% forecasts. Interestingly, Fed member James Bullard announced "I think inflation will remain above 2% in 2022 but that will be consistent with the framework."

In other Fed comments, Raphael Bostic stated "it's not the time for the Fed to start withdrawing support" while Randal Quarles added "dislocations will cause temporary increases in prices." Meanwhile the ECB has warned of insolvencies when the pandemic stimulus measures are lifted with the central bank particularly concerned about the higher corporate debt burden in those countries with larger services sector.

It's official, I have now seen it all

China and Russia have agreed to work together to boost ties in the 'priority' area of nuclear energy!

Archer Aviation, a start-up developing an electrical flying taxi business, is under criminal investigation for allegedly stealing trade secrets from a rival!

Peter Thiel is backing a rival to Elon Musk's brain implant company!

Although, in the least surprising news ever, the New York attorney-general has opened a criminal investigation into the Trump Organization.



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Daily Rates

Thursday 20 May 2021

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------|--------|------------|---------|---------|---------|--------------------|--------------|---------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 74.72 | | | | | CAD | 0.8691 | 0.9369 |
| NZD/USD | 0.7169 | -0.0001 | -0.0002 | -0.0005 | -0.0014 | CHF | 0.6477 | 0.6982 |
| NZD/AUD | 0.9277 | -0.0002 | -0.0006 | -0.0012 | -0.0027 | CNY | 4.6213 | 4.9817 |
| NZD/JPY | 78.30 | -0.02 | -0.08 | -0.18 | -0.47 | DKK | 4.3780 | 4.7194 |
| NZD/EUR | 0.5887 | -0.0004 | -0.0012 | -0.0025 | -0.0056 | FJD | 1.4508 | 1.5640 |
| NZD/GBP | 0.5248 | -0.0001 | -0.0002 | -0.0005 | -0.0014 | HKD | 5.5659 | 6.0000 |
| | | | | | | KRW | 810.88 | 874.12 |
| AU TWI | 64.30 | | | | | MYR | 2.9779 | 3.2101 |
| AUD/USD | 0.7728 | 0.0001 | 0.0003 | 0.0005 | 0.0008 | NOK | 5.9600 | 6.4248 |
| AUD/NZD | 1.0780 | 0.0002 | 0.0007 | 0.0014 | 0.0032 | SEK | 5.9856 | 6.4524 |
| AUD/JPY | 84.41 | -0.01 | -0.03 | -0.08 | -0.27 | SGD | 0.9569 | 1.0315 |
| AUD/EUR | 0.6347 | -0.0003 | -0.0009 | -0.0019 | -0.0042 | TWD | 20.03 | 21.59 |
| AUD/GBP | 0.5473 | 0.0001 | 0.0001 | 0.0002 | 0.0001 | ZAR | 10.1060 | 10.8941 |
| USD Index | 90.19 | | | | | | | |
| EUR/USD | 1.2176 | 0.0007 | 0.0022 | 0.0044 | 0.0093 | EQUITIES | | |
| USD/JPY | 109.24 | -0.02 | -0.08 | -0.17 | -0.45 | | Index | |
| GBP/USD | 1.4120 | 0.0000 | 0.0002 | 0.0004 | 0.0010 | NZX50 | 12,282 | |
| EUR/GBP | 0.8624 | 0.0005 | 0.0014 | 0.0029 | 0.0060 | ASX200 | 6,932 | |
| | | | | | | Dow Jones | 33,896 | |
| | | | | | | S&P 500 | 4,108 | |
| | | | | | | FTSE100 | 6,950 | |
| | | | | | | DAX 30 | 15,114 | |
| | | | | | | Nikkei | 28,044 | |
| | | | | | | | | |
| | | | | | | COMMODITIES | | |
| | | | | | | | USD | |
| | | | | | | Dubai Light | 66.18 | |
| | | | | | | Brent Crude | 66.67 | |
| | | | | | | Gold | 1,870.55 | |
| | | | | | | Silver | 27.71 | |
| | | | | | | CRB Index | 214.52 | |

| 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 | 0.36% | 0.32% | 0.06% | 0.02% |
| FRA 90d in 3mths | 0.36% | 0.32% | 0.07% | 0.04% |
| FRA 180d in 6mths | 0.45% | 0.42% | 0.13% | 0.11% |
| 1 year swap | 0.39% | 0.36% | 0.08% | 0.06% |
| 2 year swap | 0.57% | 0.54% | 0.16% | 0.15% |
| 3 year swap | 0.80% | 0.77% | 0.35% | 0.33% |
| 5 year swap | 1.25% | 1.22% | 0.83% | 0.81% |
| 10 year swap | 2.00% | 1.97% | 1.77% | 1.75% |
| 10 year Govt bond | | 1.86% | | 1.77% |

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