

# Market Alert

Friday 21 May 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7202	-0.0006
NZD/AUD	0.9268	-0.0013
NZD/JPY	78.34	-0.19
NZD/EUR	0.5890	-0.0026
NZD/GBP	0.5076	-0.0005
NZD/CNH	4.6323	0.0525
AUD/USD	0.7771	0.0005
AUD/EUR	0.6356	-0.0019
EUR/USD	1.2227	0.0044
USD/CNH	6.4325	0.0780
GBP/USD	1.4189	0.0004
EUR/GBP	0.8618	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.33%	0.04%
2 year swap	0.55%	0.16%
10 year Govt	1.87%	1.77%

## Just like the '6-million-dollar man'

The Minister of Finance announced "we can rebuild New Zealand. We have the technology. We can make New Zealand better than it was. Better, stronger, faster."

The New Zealand budget took a slightly different approach to the Australian budget projecting a swifter rebound and lower deficits. In forecasting a return to a budget surplus by 2027, the Minister of Finance hit the double whammy of providing a large boost in spending and lowering the debt projections at the same time. Ultimately, net debt is

projected to peak at 48% of GDP, with growth accelerating to 4.4% in 2023. There was also a strong focus on rebuilding as part of the NZD57.3 billion infrastructure spend, with many Aucklanders hoping some of these funds may be used to build the odd motorway or 7!

And in backing up the budget, S&P announced, "New Zealand is recovering faster than most advanced economies as the government's credit metrics can withstand further negative shocks to the economy," while Moody's stated "the NZ fiscal position is amongst the strongest of the AAA-rated."

In Australia, consumer inflation expectations rose to 3.5% in May from 3.2% in April, while the employment report was a bit of a miss after 30,600 jobs were lost against an expected increase of 20,000. In amongst this, 33,800 full-time jobs were added while 64,400 part-time jobs were lost. This saw the unemployment rate fall to 5.5% while the participation rate eased to 66.0% from last month's 66.3% record high.

Overnight we saw further commodity headlines from China announcing they will "strengthen its management of commodity supply and demand to curb 'unreasonable' increases in prices (and) prevent them being passed on to consumers." It was also announced they will "crack down on malicious trading and investigate behaviour that bids up prices (and) will step

up adjustments on the trade and stockpiling of commodities and reinforce inspections on both the spot and futures markets."

We're not quite sure were this fits in the commodity basket, but China has delayed importing some table grapes from Australia as "about 80% of table grape exports seem to have got in seamlessly. It seems to be the last 20% where there are some issues."

Overnight, US initial jobless claims fell to 444,000 from last week's 473,000, although continuing claims increased to 3,571,000. In other releases, the Philly Fed business outlook plummeted from 50.2 to 31.5.

The market was quiet overnight with the US yield back to 1.63% and the NZD and AUD firming.

## The big if, what, when

Following on from yesterday's ... we may, one day, think about, starting a discussion, on possibly, talking about, tapering ... suddenly, tapering is the topic du-jour with the question being, when will the Fed actually begin the discussion?

Well, the hot money is on the Fed symposium at Jackson Hole. There is no date released for it yet, but it's usually in the last two weeks of August and has been a favourite place for Fed officials to signal policy changes in the past. In addition, it would give the Fed three more employment reports to digest.



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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	74.87					CAD	0.8684	0.9370
NZD/USD	0.7202	-0.0001	-0.0003	-0.0006	-0.0015	CHF	0.6466	0.6977
NZD/AUD	0.9268	-0.0002	-0.0007	-0.0013	-0.0027	CNY	4.6348	5.0011
NZD/JPY	78.34	-0.03	-0.09	-0.19	-0.48	DKK	4.3798	4.7260
NZD/EUR	0.5890	-0.0004	-0.0013	-0.0026	-0.0056	FJD	1.4640	1.5797
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0005	-0.0014	HKD	5.5901	6.0319
						KRW	812.48	876.70
AU TWI	64.10					MYR	2.9736	3.2086
AUD/USD	0.7771	0.0001	0.0003	0.0005	0.0007	NOK	5.9779	6.4503
AUD/NZD	1.0790	0.0003	0.0008	0.0015	0.0032	SEK	5.9767	6.4491
AUD/JPY	84.54	-0.01	-0.03	-0.08	-0.26	SGD	0.9583	1.0340
AUD/EUR	0.6356	-0.0003	-0.0009	-0.0019	-0.0042	TWD	20.14	21.73
AUD/GBP	0.5477	0.0001	0.0001	0.0002	0.0002	ZAR	10.0620	10.8573
USD Index	89.77							
EUR/USD	1.2227	0.0007	0.0022	0.0044	0.0092	<b>EQUITIES</b>		
USD/JPY	108.79	-0.02	-0.08	-0.17	-0.44			<b>Index</b>
GBP/USD	1.4189	0.0000	0.0002	0.0004	0.0009	NZX50		12,437
EUR/GBP	0.8618	0.0005	0.0014	0.0029	0.0060	ASX200		7,020
						Dow Jones		34,107
						S&P 500		4,165
						FTSE100		7,020
						DAX 30		15,370
						Nikkei		28,098
						<b>COMMODITIES</b>		
								<b>USD</b>
						Dubai Light		63.84
						Brent Crude		65.27
						Gold		1,877.09
						Silver		27.76
						CRB Index		212.54

  

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	0.35%	0.31%	0.06%	0.02%
FRA 90d in 3mths	0.35%	0.32%	0.07%	0.04%
FRA 180d in 6mths	0.44%	0.41%	0.13%	0.12%
1 year swap	0.38%	0.36%	0.07%	0.06%
2 year swap	0.56%	0.53%	0.16%	0.16%
3 year swap	0.79%	0.76%	0.35%	0.33%
5 year swap	1.24%	1.21%	0.84%	0.80%
10 year swap	1.98%	1.96%	1.75%	1.74%
10 year Govt bond		1.85%		1.77%

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