

# Market Alert

Thursday 27 May 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7289	-0.0005
NZD/AUD	0.9413	-0.0013
NZD/JPY	79.54	-0.18
NZD/EUR	0.5977	-0.0026
NZD/GBP	0.5160	-0.0004
NZD/CNH	4.6512	0.0507
AUD/USD	0.7744	0.0005
AUD/EUR	0.6351	-0.0019
EUR/USD	1.2193	0.0043
USD/CNH	6.3814	0.0743
GBP/USD	1.4125	0.0002
EUR/GBP	0.8633	0.0030

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.34%	0.04%
2 year swap	0.61%	0.16%
10 year Govt	1.87%	1.67%

## At least we're not importing inflation

If this is part of Mr. Orr's plan, its going well. Simply put, the inclusion of a 3-year OCR projection that projected hikes in 2H 2022, saw the NZD and IRS curve head higher at a startling place. As the assistant Governor, Christian Hawkesby, emphasised, these are projections are not forward guidance and are conditional. As Mr. Orr stated at the Q&A "These are highly conditional projections, we are talking about the second half of next year, who knows where we will be by then."

Interestingly, the RBNZ increased their CPI forecast for the next 12-months, and basically 0.25% higher from mid-2022, while the unemployment projections are broadly 0.5% lower. The TWI inputs have eased from 74.9 to 74.8 for the entire range, while there is more of a GDP yo-yo forecast with Q1 contracting further at -0.6%, while Q2 bounces back stronger at +1.0%, then remaining higher for the next 3 quarters. For the LSAP, it was reiterated that the programme will remain in place until June 2022, although reduced government issuance was placing less upward pressure on New Zealand government bond yields, providing less scope for purchases. The Committee acknowledged that the LSAP programme would not reach the NZD100 billion limit by June 2022, although this dollar figure was a limit, not a target.

Interestingly, while the initial spike in the currency set the scene for the London open, the momentum didn't follow through and we are broadly unchanged from the NZ close. The futures market is now fully pricing in a 25 bps hike by July next year with a 24% chance of a second hike by August!

In other, less relevant news, the NZ April trade balance showed a surplus of NZD388 million, following on from May's NZD33 million surplus, with exports at NZD5.37 billion and imports at NZD4.98 billion.

Somewhat of a contradiction to the RBNZ, BoJ policymaker, Hitoshi Suzuki stated he was "disappointed that yields aren't moving after the BoJ March review," as he "wants yields to move more!"

Societe Générale, looking ahead to the June European Central Bank meeting, are suggesting the ECB will take a completely different approach to their currency than the RBNZ has, and are forecasting the ECB will attempt to 'talk' the Euro lower, given its recent strength.

Overnight there was little to report, which to some extent probably explains the lacklustre NZD performance. Fed member, Randy Quarles, stated "it will be important to have taper discussions at upcoming meetings," while the ECB has opened a review as to where and how the investments banks run their risk-management setups!

With little data, markets were quiet. Equities and commodities were flat, while 10 year yield eased with the treasury at 1.58%, the bund at -0.21%, and the Australian and NZ yields at 1.68% and 1.89%.

## This is the way to fight global warming

First time activist Engine No 1 has won a seat on the Exxon board to fight global warming, while a Dutch court has ordered Shell to slash its emissions harder and faster that could force a precedent for big oil!



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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	75.68					CAD	0.8831	0.9382
NZD/USD	0.7289	-0.0001	-0.0002	-0.0005	-0.0017	CHF	0.6541	0.6949
NZD/AUD	0.9413	-0.0002	-0.0006	-0.0013	-0.0029	CNY	4.6562	4.9468
NZD/JPY	79.54	-0.02	-0.08	-0.18	-0.47	DKK	4.4451	4.7225
NZD/EUR	0.5977	-0.0004	-0.0013	-0.0026	-0.0057	FJD	1.4784	1.5707
NZD/GBP	0.5160	-0.0001	-0.0002	-0.0004	-0.0014	HKD	5.6577	6.0108
						KRW	813.50	864.28
AU TWI	64.10					MYR	2.9956	3.1825
AUD/USD	0.7744	0.0001	0.0003	0.0005	0.0006	NOK	6.0945	6.4748
AUD/NZD	1.0624	0.0002	0.0007	0.0014	0.0033	SEK	6.0577	6.4358
AUD/JPY	84.52	-0.01	-0.03	-0.07	-0.24	SGD	0.9658	1.0260
AUD/EUR	0.6351	-0.0003	-0.0009	-0.0019	-0.0041	TWD	20.26	21.53
AUD/GBP	0.5482	0.0001	0.0002	0.0003	0.0003	ZAR	10.0328	10.6590
USD Index	90.05							
EUR/USD	1.2193	0.0007	0.0022	0.0043	0.0090	<b>EQUITIES</b>		
USD/JPY	109.15	-0.02	-0.08	-0.16	-0.40			<b>Index</b>
GBP/USD	1.4125	0.0000	0.0001	0.0002	0.0005	NZX50		12,347
EUR/GBP	0.8633	0.0005	0.0015	0.0030	0.0061	ASX200		7,093
						Dow Jones		34,319
						S&P 500		4,195
						FTSE100		7,027
						DAX 30		15,451
						Nikkei		28,642
						<b>COMMODITIES</b>		
								<b>USD</b>
						Dubai Light		66.01
						Brent Crude		68.77
						Gold		1,894.99
						Silver		27.69
						CRB Index		216.20

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.30%	0.26%	0.02%	0.02%
90 day bank bills	0.36%	0.32%	0.06%	0.02%
FRA 90d in 3mths	0.35%	0.32%	0.07%	0.04%
FRA 180d in 6mths	0.46%	0.43%	0.13%	0.11%
1 year swap	0.40%	0.37%	0.07%	0.06%
2 year swap	0.62%	0.59%	0.16%	0.16%
3 year swap	0.87%	0.85%	0.34%	0.32%
5 year swap	1.32%	1.29%	0.78%	0.76%
10 year swap	2.01%	1.98%	1.67%	1.66%
10 year Govt bond		1.86%		1.67%

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