

Market Alert

Monday 3 May 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7176	-0.0006
NZD/AUD	0.9299	-0.0014
NZD/JPY	78.40	-0.20
NZD/EUR	0.5963	-0.0028
NZD/GBP	0.5196	-0.0007
NZD/CNH	4.6437	0.0576
AUD/USD	0.7716	0.0005
AUD/EUR	0.6412	-0.0020
EUR/USD	1.2034	0.0046
USD/CNH	6.4721	0.0855
GBP/USD	1.3812	0.0007
EUR/GBP	0.8712	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.36%	0.04%
2 year swap	0.47%	0.16%
10 year Govt	1.65%	1.75%

It's all about the equities

US equities stumbled into Friday's close to finish the day in negative territory, although they had a strong month with the Dow up 2.7%, while the S&P and Nasdaq were up a stunning 5.2% and 5.4% respectively.

To be fair, a lot of this strength came from US data, and on Friday we saw a further continuation of this after the New York Fed Q2 GDP tracker forecast a 5.28% print, up from 4.57% a week earlier, while the Atlanta Fed GDP 'Now' tracker forecast Q2 growth to be at a staggering 10.4%. Meanwhile, the University of Michigan consumer

sentiment headlined at 88.3 against an expected 87.5, with the 1 year and 5 to 10 year inflation expectations priced at 3.4% and 2.7%. We also had the MNI Chicago PMI index hit 72.1, when only 65.0 was expected, while US personal income jumped 21.1% rebounding from February's 7.0% drop and above market expectations of 20.3%.

One man who wasn't buying into the equity 'madness' was Warren Buffett, after Berkshire Hathaway's quarterly results showed them to be a net seller of stocks in Q1 with equity sales hitting their second-highest level in almost five years. Berkshire Hathaway also slowed its pace of share buybacks which saw Berkshire's cash holdings rise 5.2% from three months earlier to a near record USD145.4 billion as at the end of March, although the group didn't perform too badly reporting a USD12 billion quarterly profit. And while Mr. Buffett admits he was surprised by the economic rebound, he does see 'significant' inflation amid a 'red hot' US recovery.

Finally, Fed member, Robert Kaplan, announced the risk to his, "6.5% GDP growth forecast this year is to the upside"!

Which raises the question of the US dollar, and right on cue, BoA Global Research has announced they expect a USD rally in the coming month and have expressed this view by shortening the NZD/USD in the spot market, and by leveraging options on the EUR/USD as, "Unless something unexpected happens,

we see limited volatility in G10 FX in the short term, and before the Fed and the ECB move in opposite directions after the summer." Personally, I forecast I will be an All Black by the end of the year, unless something unexpected happens!

From our perspective, we expect the USD to start out-performing once the Fed announces tapering is imminent. In saying that, the USD index did manage to stage a rally off on Friday off its 90.57 support level which saw the NZD and AUD ease back a full cent from last Thursday's highs, while the 10 year treasury closed out the week at 1.625%.

COVID-19 won't go away

A UK study has warned that new strains of the Covid variant still processes risks to those people who have only had one vaccine dose, while it is rumoured that come 4 May, President Biden will announce that non-US citizens won't be able to return to the US from India.



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Daily Rates

Monday 3 May 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.00					CAD	0.8817	0.9482
NZD/USD	0.7176	-0.0001	-0.0003	-0.0006	-0.0013	CHF	0.6550	0.7044
NZD/AUD	0.9299	-0.0002	-0.0007	-0.0014	-0.0026	CNY	4.6365	4.9860
NZD/JPY	78.40	-0.03	-0.09	-0.20	-0.50	DKK	4.4344	4.7686
NZD/EUR	0.5963	-0.0004	-0.0013	-0.0028	-0.0059	FJD	1.4538	1.5634
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0007	-0.0015	HKD	5.5624	5.9817
						KRW	800.42	860.76
AU TWI	64.40					MYR	2.9632	3.1866
AUD/USD	0.7716	0.0001	0.0003	0.0005	0.0008	NOK	5.9601	6.4094
AUD/NZD	1.0754	0.0003	0.0008	0.0016	0.0030	SEK	6.0659	6.5231
AUD/JPY	84.31	-0.01	-0.04	-0.09	-0.30	SGD	0.9529	1.0247
AUD/EUR	0.6412	-0.0003	-0.0010	-0.0020	-0.0046	TWD	19.94	21.44
AUD/GBP	0.5586	0.0000	0.0001	0.0001	-0.0001	ZAR	10.3786	11.1609
USD Index	91.28							
EUR/USD	1.2034	0.0007	0.0023	0.0046	0.0099	EQUITIES		
USD/JPY	109.26	-0.03	-0.09	-0.19	-0.50			Index
GBP/USD	1.3812	0.0001	0.0003	0.0007	0.0017	NZX50		12,731
EUR/GBP	0.8712	0.0005	0.0014	0.0029	0.0061	ASX200		7,026
						Dow Jones		33,875
						S&P 500		4,181
						FTSE100		6,970
						DAX 30		15,136
						Nikkei		28,813
						COMMODITIES		
								USD
						Dubai Light		64.49
						Brent Crude		66.76
						Gold		1,768.68
						Silver		25.89
						CRB Index		212.29

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.28%	0.24%	0.02%	0.02%
90 day bank bills	0.38%	0.34%	0.06%	0.02%
FRA 90d in 3mths	0.36%	0.33%	0.07%	0.04%
FRA 180d in 6mths	0.39%	0.36%	0.14%	0.12%
1 year swap	0.38%	0.35%	0.09%	0.06%
2 year swap	0.48%	0.45%	0.17%	0.16%
3 year swap	0.66%	0.63%	0.34%	0.31%
5 year swap	1.08%	1.06%	0.86%	0.76%
10 year swap	1.85%	1.82%	1.76%	1.75%
10 year Govt bond		1.63%		1.75%

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