

Market Alert

Wednesday 5 May 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7142	-0.0005
NZD/AUD	0.9265	-0.0013
NZD/JPY	78.06	-0.19
NZD/EUR	0.5945	-0.0027
NZD/GBP	0.5143	-0.0006
NZD/CNH	4.6309	0.0583
AUD/USD	0.7709	0.0005
AUD/EUR	0.6417	-0.0020
EUR/USD	1.2014	0.0047
USD/CNH	6.4846	0.0865
GBP/USD	1.3888	0.0006
EUR/GBP	0.8651	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	1.68%	1.76%

Janet, Janet, Janet ...

US Treasury Secretary, Janet Yellen, ruffled financial markets with the most obvious of comments, that interest rates will likely rise as government spending ramps up and the economy responds with faster growth, when she stated *“it may be that interest rates will have to rise somewhat to make sure our economy doesn’t overheat. It could cause some very modest increases in interest rates.”* This point was then backed up by renown economist, Mohamed El-Erian, with *“inflation is not transitory – it’s here to stay.”*

Yes, Janet is stating the painfully obvious, but the markets didn’t like it, which drove European and US indices lower with the tech’s getting hit particularly hard. In commodity markets, higher metal prices saw the LME (London Metal Exchange) index reach 4,000, while the USD index rallied after the US trade deficit jumped to a record high of USD74.4 billion in March amid booming domestic demand driving increased imports. The NZD and AUD are lower, while the 10 year Treasury is flat at 1.60%.

In leaving the cash rate and 3 year YCC at 0.10%, there were no surprises from the RBA, although there were a few pointers at the edges. The RBA revised up its GDP forecasts to 4.75% over 2021 and 3.5% in 2022, while it expects CPI to move temporarily above 3.0% in the June quarter. With the unemployment rate to be around 5.0% at year-end 2021 and around 4.5% at the end of 2022, they don’t see a rate rise until 2024 at the earliest. The RBA are not considering a further extension of the term funding facility for banks although it will consider changing the 3-year target to the November 2024 bond at the July meeting.

However, the RBA is watching the housing market, which is not surprising after home loans increased +5.5% in March. The value of owner-occupied loans rose 3.3% on the month, while the

value of investment loans jumped 12.7% to record its largest rise since July 2003. We guess a whole lot of New Zealand property investors just purchased a property across the Tasman! Mind you, it wasn’t all good news over there after the Australia March trade surplus missed its AUD8,200 million estimate to ‘only’ hit AUD5,574 million, a 4-month low as exports fell -2.0% while imports rose 4.0%.

In New Zealand, the GDT dairy auction saw dairy prices fall -0.7% with butter, the main underperformer, falling -12.1%, although WMP was up +0.7%. Meanwhile, the RBNZ Deputy Governor, Geoff Bascand, will be manning the podium at today’s RBNZ *Financial Stability Report*, because Governor, Adrian Orr, is ill.

Finance Minister, Grant Robertson, was also out talking ahead of the budget, stating that while the economic recovery has exceeded every forecast, fiscal spending will carry on supporting the economy and that debt reduction will start in the middle of the decade, not before, as any debt reduction now would undermine the recovery.

What about us?

The Pfizer COVID-19 vaccine will be authorised for 12 to 15 year olds in the US from next week. Hey ... what about all the old toppers in New Zealand?



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Daily Rates

Wednesday 5 May 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.72					CAD	0.8789	0.9487
NZD/USD	0.7142	-0.0001	-0.0002	-0.0005	-0.0013	CHF	0.6524	0.7042
NZD/AUD	0.9265	-0.0002	-0.0007	-0.0013	-0.0027	CNY	4.6365	5.0045
NZD/JPY	78.06	-0.02	-0.09	-0.19	-0.50	DKK	4.4204	4.7713
NZD/EUR	0.5945	-0.0004	-0.0013	-0.0027	-0.0059	FJD	1.4521	1.5674
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0015	HKD	5.5475	5.9879
						KRW	804.03	867.87
AU TWI	64.30					MYR	2.9454	3.1792
AUD/USD	0.7709	0.0001	0.0003	0.0005	0.0008	NOK	5.9542	6.4268
AUD/NZD	1.0794	0.0003	0.0008	0.0015	0.0032	SEK	6.0578	6.5387
AUD/JPY	84.26	-0.01	-0.03	-0.08	-0.29	SGD	0.9545	1.0302
AUD/EUR	0.6417	-0.0003	-0.0010	-0.0020	-0.0045	TWD	19.96	21.54
AUD/GBP	0.5551	0.0000	0.0001	0.0001	0.0000	ZAR	10.3399	11.1607
USD Index	91.30							
EUR/USD	1.2014	0.0007	0.0023	0.0047	0.0099	EQUITIES		
USD/JPY	109.31	-0.02	-0.09	-0.18	-0.50		Index	
GBP/USD	1.3888	0.0001	0.0003	0.0006	0.0016	NZX50	12,912	
EUR/GBP	0.8651	0.0005	0.0014	0.0029	0.0061	ASX200	7,068	
						Dow Jones	34,057	
						S&P 500	4,147	
						FTSE100	6,923	
						DAX 30	14,856	
						Nikkei	28,813	
						COMMODITIES		
							USD	
						Dubai Light	65.93	
						Brent Crude	68.82	
						Gold	1,777.44	
						Silver	26.46	
						CRB Index	215.15	

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%	0.13%
1 year swap	0.38%	0.35%	0.08%	0.06%
2 year swap	0.48%	0.46%	0.16%	0.16%
3 year swap	0.67%	0.64%	0.34%	0.32%
5 year swap	1.10%	1.07%	0.83%	0.79%
10 year swap	1.87%	1.84%	1.74%	1.73%
10 year Govt bond		1.66%		1.76%

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