

Market Alert

Friday 7 May 2021

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.7236 | -0.0006 |
| NZD/AUD | 0.9298 | -0.0013 |
| NZD/JPY | 78.91 | -0.19 |
| NZD/EUR | 0.5999 | -0.0027 |
| NZD/GBP | 0.5207 | -0.0006 |
| NZD/CNH | 4.6768 | 0.0568 |
| AUD/USD | 0.7783 | 0.0005 |
| AUD/EUR | 0.6452 | -0.0020 |
| EUR/USD | 1.2063 | 0.0045 |
| USD/CNH | 6.4637 | 0.0838 |
| GBP/USD | 1.3897 | 0.0005 |
| EUR/GBP | 0.8680 | 0.0029 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 0.25% | 0.10% |
| 90 day bills | 0.37% | 0.04% |
| 2 year swap | 0.51% | 0.16% |
| 10 year Govt | 1.71% | 1.70% |

While you may not understand Bitcoin

Goldman Sachs is going to make money out of it!

Goldmans have waded into the USD1 trillion Bitcoin market by offering NDF's (non-deliverable forwards) to investors. Goldmans will then hedge themselves against the digital currency's volatility by buying and selling Bitcoin futures in block trades on CME.

In leaving its key benchmark reference rates unchanged, the BoE joined the BoC in opting to slow their QE programme cutting their weekly purchases by

GBP1 billion to GBP3.4 billion. While policy makers insisted this isn't a change in stance, it is an attempt to reduce the stimulus ahead of what the members believe will be the biggest surge in household spending since 1988 as officials expect consumers to spend 10% of their savings that were built up during the lockdowns. The BoE also sees the UK's economic output recouping most of its economic losses by the end of this year, having increased its 2021 GDP forecast to 7.25% from 5%.

In positive employment news from the US, initial claims dropped by 92,000 to 498,000 this week, while US-based private company job cuts fell 25% on the month to 22,913 to record their lowest level since June 2000. Meanwhile, non-farm labour productivity in the US rose by an annualised 5.4 % in Q1 2021 to recover from the revised 3.8% fall in Q4.

New Zealand released its May preliminary business confidence yesterday, which produced an impressive +9.0 gain, bringing the indicator into positive territory. Interestingly, the own activity outlook surged to +32.3 from +22.2 in a classic case of, I'll be right, but I don't know about those other guys! New Zealand building approvals for March also increased 17.9% on the month from February's 18.2% fall.

One of the local banks has announced that while the rebound in the Australian and New Zealand economies is better than expected, wage growth in Australia is expected to be weak for some time ahead.

Following on from Australia calling out China's human rights abuse and the

scrapping of the 'Belt and Road' pact, the Chinese hit back, suspending all activities under the China-Australia strategic economic dialogue mechanism. This, combined with New Zealand shutting its borders to Sydney, and Goldmans downgrading its iron ore forecast saw the AUD wobble in our time zone although the losses were recovered overnight on the positive employment news.

Ahead of tonight's non-farm release, US and European stocks climbed as data showing the world's largest economy is strengthening overshadowed inflation worries, although Chinese shares traded in New York briefly extended losses after *Bloomberg News* reported that the Biden administration is likely to preserve limits on US investments in certain companies from China. The US dollar continued to gyrate within its range with a downward bias today, which saw the AUD and NZD lift from yesterday's lows, while the 10-year treasury yield eased to 1.57%.

Brazil raised its lending rate 75 basis points to 3.50%

This is a bit of a contradiction

Japan is considering extending its COVID-19 state of emergency, but relaxing some restrictions by allowing department stores to be allowed longer trading hours, and lifting restrictions on cinemas and amusement centres.



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Daily Rates

Friday 7 May 2021

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------|--------|------------|---------|---------|---------|--------------------|--------------|---------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 75.44 | | | | | CAD | 0.8808 | 0.9474 |
| NZD/USD | 0.7236 | -0.0001 | -0.0003 | -0.0006 | -0.0014 | CHF | 0.6572 | 0.7069 |
| NZD/AUD | 0.9298 | -0.0002 | -0.0007 | -0.0013 | -0.0028 | CNY | 4.6707 | 5.0236 |
| NZD/JPY | 78.91 | -0.03 | -0.09 | -0.19 | -0.49 | DKK | 4.4608 | 4.7978 |
| NZD/EUR | 0.5999 | -0.0004 | -0.0013 | -0.0027 | -0.0059 | FJD | 1.4702 | 1.5813 |
| NZD/GBP | 0.5248 | -0.0001 | -0.0003 | -0.0006 | -0.0015 | HKD | 5.6206 | 6.0453 |
| | | | | | | KRW | 810.70 | 871.95 |
| AU TWI | 64.30 | | | | | MYR | 2.9687 | 3.1930 |
| AUD/USD | 0.7783 | 0.0001 | 0.0003 | 0.0005 | 0.0008 | NOK | 6.0104 | 6.4645 |
| AUD/NZD | 1.0756 | 0.0003 | 0.0008 | 0.0015 | 0.0032 | SEK | 6.0977 | 6.5584 |
| AUD/JPY | 84.87 | -0.01 | -0.03 | -0.08 | -0.27 | SGD | 0.9647 | 1.0375 |
| AUD/EUR | 0.6452 | -0.0003 | -0.0010 | -0.0020 | -0.0044 | TWD | 20.23 | 21.76 |
| AUD/GBP | 0.5600 | 0.0000 | 0.0001 | 0.0001 | 0.0000 | ZAR | 10.2798 | 11.0565 |
| USD Index | 90.91 | | | | | | | |
| EUR/USD | 1.2063 | 0.0007 | 0.0022 | 0.0045 | 0.0096 | EQUITIES | | |
| USD/JPY | 109.05 | -0.02 | -0.08 | -0.17 | -0.46 | | Index | |
| GBP/USD | 1.3897 | 0.0001 | 0.0003 | 0.0005 | 0.0014 | NZX50 | 12,752 | |
| EUR/GBP | 0.8680 | 0.0005 | 0.0014 | 0.0029 | 0.0060 | ASX200 | 7,062 | |
| | | | | | | Dow Jones | 34,472 | |
| | | | | | | S&P 500 | 4,179 | |
| | | | | | | FTSE100 | 7,076 | |
| | | | | | | DAX 30 | 15,197 | |
| | | | | | | Nikkei | 29,331 | |
| | | | | | | | | |
| | | | | | | COMMODITIES | | |
| | | | | | | | USD | |
| | | | | | | Dubai Light | 66.78 | |
| | | | | | | Brent Crude | 68.17 | |
| | | | | | | Gold | 1,814.52 | |
| | | | | | | Silver | 27.31 | |
| | | | | | | CRB Index | 218.13 | |

| 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 | 0.39% | 0.35% | 0.06% | 0.02% |
| FRA 90d in 3mths | 0.37% | 0.34% | 0.07% | 0.04% |
| FRA 180d in 6mths | 0.41% | 0.38% | 0.14% | 0.12% |
| 1 year swap | 0.40% | 0.37% | 0.08% | 0.06% |
| 2 year swap | 0.52% | 0.49% | 0.16% | 0.15% |
| 3 year swap | 0.72% | 0.69% | 0.33% | 0.31% |
| 5 year swap | 1.16% | 1.13% | 0.81% | 0.77% |
| 10 year swap | 1.90% | 1.87% | 1.69% | 1.68% |
| 10 year Govt bond | | 1.70% | | 1.70% |

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