

Market Alert

Tuesday 1 June 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7275	-0.0005
NZD/AUD	0.9409	-0.0012
NZD/JPY	79.69	-0.17
NZD/EUR	0.5950	-0.0025
NZD/GBP	0.5122	-0.0004
NZD/CNH	4.6365	0.0503
AUD/USD	0.7733	0.0004
AUD/EUR	0.6325	-0.0018
EUR/USD	1.2226	0.0043
USD/CNH	6.3732	0.0735
GBP/USD	1.4206	0.0001
EUR/GBP	0.8607	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.32%	0.04%
2 year swap	0.59%	0.19%
10 year Govt	1.80%	1.71%

It's just a step to the left

And then a step to the right! Following on from Adrian Orr's warnings that the RBNZ is not opposed to cutting rates should there be a negative economic shock, Assistant Governor, Christian Hawkesby, added "*the OCR projections of a rate hike at the end of next year is conditional on underlying economic assumptions. (We are) aware that markets trying to get ahead of the bias, must remember these are conditional projections, (and that) inflation is not seen reaching sustainable levels until the tail end of projections.*"

In what was a busy 24 hours for data, New Zealand May Business confidence increased to +1.8 from -2.0, while the own activity index climbed to +27.1 from +22.2. In Australia, April's private sector credit gained +0.2% on the month and +1.3% on the year, although it was behind the +0.4% and +1.4% forecasts. The Melbourne Institute monthly CPI inflation for May suggested Australia will see a -0.2% correction this month, which suggests a +3.3% gain for the year.

Manufacturing PMIs for China came in at 51.0 in May 2021, just below the forecast and last month's 51.1. While broadly in line, it was the lowest reading since February amid intense inflationary pressure and supply bottlenecks as export sales shrank and new orders grew the least in 3 months. In the services sector, PMIs rose to 55.2 in May 2021 from April's 54.9, although input costs rose for the 13th month in a row and confidence fell.

In further Chinese news, the PBoC has forced banks to hold more foreign currencies after it announced financial institutions will need to hold 7.0% of their foreign exchange in reserve from 15 June. According to the PBoC, this 2.0% increase will help liquidity management, while effectively reducing the supply of dollars and other currencies onshore, thereby putting pressure on the yuan to weaken.

Germany's CPI headlined at +0.3% on the month to hit 2.5% in the year, while Canada posted a CAD1.2 billion current account surplus in Q1 2021 following on from Q4 2020's CAD 5.3 billion deficit. All of this positive data has seen the OECD revise up its growth forecasts calling for the global economy to expand 5.8% in 2021 and 4.4% in 2022.

World equities are on track to post a 4th straight month of gains, while the dollar struggled broadly ahead of the weeks dominant US and EU releases. This saw the NZD and AUD firm, while the US 10-year flatlined at 1.595%. Oil climbed on forecasts that inventories will fall sharply this year, while gold headed for the biggest monthly advance since July and most industrial metals gained.

Danger, danger, Will Robertson

An independent review into the cyber-attack that breached the RBNZ's data has found the central bank was 'over reliant' on its third-party provider, which left it unaware of the data breach for 13 days.

China locked down parts of Guangzhou after 27 new COVID-19 cases were reported, but on the bright side for young couples and infant milk powder producers, President Xi announced Chinese couples will be allowed to have up to 3 children!



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Tuesday 1 June 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.42					CAD	0.8779	0.9330
NZD/USD	0.7275	-0.0001	-0.0002	-0.0005	-0.0016	CHF	0.6539	0.6950
NZD/AUD	0.9409	-0.0002	-0.0006	-0.0012	-0.0027	CNY	4.6347	4.9261
NZD/JPY	79.69	-0.02	-0.08	-0.17	-0.45	DKK	4.4252	4.7034
NZD/EUR	0.5950	-0.0004	-0.0012	-0.0025	-0.0056	FJD	1.4797	1.5728
NZD/GBP	0.5122	-0.0001	-0.0002	-0.0004	-0.0012	HKD	5.6461	6.0011
						KRW	806.37	857.07
AU TWI	63.50					MYR	2.9986	3.1871
AUD/USD	0.7733	0.0001	0.0003	0.0004	0.0006	NOK	6.0570	6.4377
AUD/NZD	1.0629	0.0002	0.0007	0.0013	0.0031	SEK	6.0359	6.4153
AUD/JPY	84.71	-0.01	-0.03	-0.07	-0.24	SGD	0.9612	1.0216
AUD/EUR	0.6325	-0.0003	-0.0009	-0.0018	-0.0041	TWD	20.05	21.31
AUD/GBP	0.5443	0.0001	0.0002	0.0003	0.0003	ZAR	9.9971	10.6256
USD Index	89.85							
EUR/USD	1.2226	0.0007	0.0021	0.0043	0.0089	EQUITIES		
USD/JPY	109.55	-0.03	-0.08	-0.15	-0.39		Index	
GBP/USD	1.4206	0.0001	0.0001	0.0001	0.0002	NZX50	12,321	
EUR/GBP	0.8607	0.0005	0.0015	0.0029	0.0062	ASX200	7,162	
						Dow Jones	34,529	
						S&P 500	4,204	
						FTSE100	7,023	
						DAX 30	15,421	
						Nikkei	28,860	
						COMMODITIES		
							USD	
						Dubai Light	66.62	
						Brent Crude	69.32	
						Gold	1,905.75	
						Silver	27.98	
						CRB Index	218.60	

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	0.34%	0.30%	0.06%	0.02%
FRA 90d in 3mths	0.34%	0.31%	0.06%	0.03%
FRA 180d in 6mths	0.44%	0.41%	0.13%	0.11%
1 year swap	0.39%	0.37%	0.07%	0.06%
2 year swap	0.60%	0.58%	0.19%	0.18%
3 year swap	0.87%	0.85%	0.39%	0.37%
5 year swap	1.33%	1.31%	0.89%	0.80%
10 year swap	2.01%	1.99%	1.72%	1.70%
10 year Govt bond		1.78%		1.71%

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED