

# Market Alert

Friday 11 June 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7198	-0.0005
NZD/AUD	0.9284	-0.0012
NZD/JPY	78.69	-0.17
NZD/EUR	0.5914	-0.0025
NZD/GBP	0.5081	-0.0004
NZD/CNH	4.5969	0.0503
AUD/USD	0.7753	0.0005
AUD/EUR	0.6370	-0.0019
EUR/USD	1.2170	0.0043
USD/CNH	6.3869	0.0744
GBP/USD	1.4168	0.0002
EUR/GBP	0.8590	0.0030

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.32%	0.02%
2 year swap	0.54%	0.15%
10 year Govt	1.69%	1.49%

## There's a lot of data this morning...

... So let's get straight into it!

US consumer prices climbed its fastest pace since 2008 after the headline prints showed prices rose 0.6% on the month and +5.0% on the year against forecasts of +0.5% and +4.7%. The core, which excludes food and energy, also spiked against expectations to print at +0.7% and +3.8% for its sharpest increases in nearly three decades!

Interestingly, in stark contrast to the CPI gains over the last 2-months, bond yields have continued to ease with the US 10-year currently yielding 1.45%, while the

bund has fallen to -0.24%. The biggest adjustment has been in inflation linked bonds, with the 10-year BEI yield falling 24 basis points, implying that investors have 'bought' into the Fed's transitory inflation narrative.

In other US releases, initial jobless claims dropped to 376,000, the government posted a budget deficit of USD132 billion in May, and US hourly and weekly earnings decreased -2.8% and -2.2% on the year.

In Europe, the ECB left its key interest rates unchanged, although policy makers differed over how much bond-buying would be needed across the northern hemisphere summer when liquidity is at a premium. President Christine Lagarde emphasised this point in the Q&A session stating "there was a debate on the pace of purchases, on some of the analytical aspects on the use of our instruments. So, I use the words broadly agreed. There was here and there a couple of diverging views and not unanimous consent." In saying this, the Governors committed the PEPP to continue at a "significantly higher pace" than the current EUR14 billion per week.

PBoC Governor, Yi Gang, thought it was about time he got his name in the spotlight so he came out with a few headlines stating that "Chinese interest rates are at appropriate levels," before he hinted that China may loosen its controls over the yuan exchange rate by improving the floating exchange rate mechanism. Deputy Governor, Pan Gongsheng, then

stated that "2-way fluctuation of the yuan will become the new normal."

In Australia, one of the local banks has brought forward its RBA rate hike call to H2 2023 ... wait a minute that's still 2-years away! Meanwhile, in NZ credit card spending rose +2.3% in May following on from April's +4.0% gain, while retail card spending increased +1.7%, which is also down from the previous months +4.0%.

So, what did it all mean? Apart from the movement in yields, not a lot really! Equity bourses are up 0.5-1.0%, as are commodities, while the NZD and AUD are holding in the middle of their recent ranges.

## Japanese spanner in the works

Word on the street, or the Nikkei newspaper to be precise, is that the Japanese PM, Yoshihide Suga, will dissolve the lower house of Parliament and call a snap election in September, which would be sensational news except that the election is currently scheduled for October! Oh yes, the Nikkei also added the government is weighing up a "major economic stimulus package as early as this summer." Just add, 'yet another' into that last sentence!



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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	74.71					CAD	0.8705	0.9376
NZD/USD	0.7198	-0.0001	-0.0002	-0.0005	-0.0015	CHF	0.6443	0.6940
NZD/AUD	0.9284	-0.0002	-0.0006	-0.0012	-0.0028	CNY	4.5991	4.9540
NZD/JPY	78.69	-0.03	-0.08	-0.17	-0.45	DKK	4.3977	4.7371
NZD/EUR	0.5914	-0.0004	-0.0012	-0.0025	-0.0056	FJD	1.4682	1.5815
NZD/GBP	0.5081	-0.0001	-0.0002	-0.0004	-0.0012	HKD	5.5856	6.0166
						KRW	801.09	862.92
AU TWI	63.70					MYR	2.9593	3.1877
AUD/USD	0.7753	0.0001	0.0003	0.0005	0.0008	NOK	5.9541	6.4136
AUD/NZD	1.0772	0.0003	0.0007	0.0014	0.0033	SEK	5.9383	6.3966
AUD/JPY	84.77	-0.01	-0.03	-0.07	-0.23	SGD	0.9528	1.0263
AUD/EUR	0.6370	-0.0003	-0.0009	-0.0019	-0.0041	TWD	19.93	21.46
AUD/GBP	0.5472	0.0000	0.0002	0.0003	0.0004	ZAR	9.7874	10.5427
USD Index	90.06							
EUR/USD	1.2170	0.0007	0.0022	0.0043	0.0091	<b>EQUITIES</b>		
USD/JPY	109.34	-0.03	-0.08	-0.16	-0.41		<b>Index</b>	
GBP/USD	1.4168	0.0001	0.0001	0.0002	0.0003	NZX50	12,518	
EUR/GBP	0.8590	0.0005	0.0015	0.0030	0.0062	ASX200	7,303	
						Dow Jones	34,465	
						S&P 500	4,237	
						FTSE100	7,088	
						DAX 30	15,571	
						Nikkei	28,959	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	70.03	
						Brent Crude	72.39	
						Gold	1,897.73	
						Silver	28.02	
						CRB Index	225.50	

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.29%	0.25%	-0.01%	0.02%
90 day bank bills	0.34%	0.30%	0.04%	0.00%
FRA 90d in 3mths	0.35%	0.32%	0.05%	0.02%
FRA 180d in 6mths	0.43%	0.40%	0.10%	0.09%
1 year swap	0.37%	0.35%	0.06%	0.04%
2 year swap	0.55%	0.53%	0.15%	0.15%
3 year swap	0.79%	0.77%	0.32%	0.30%
5 year swap	1.21%	1.19%	0.77%	0.73%
10 year swap	1.83%	1.81%	1.53%	1.53%
10 year Govt bond		1.67%		1.49%

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