

Market Alert

Tuesday 15 June 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7144	-0.0005
NZD/AUD	0.9261	-0.0013
NZD/JPY	78.63	-0.17
NZD/EUR	0.5893	-0.0025
NZD/GBP	0.5063	-0.0004
NZD/CNH	4.5764	0.0527
AUD/USD	0.7714	0.0005
AUD/EUR	0.6363	-0.0018
EUR/USD	1.2122	0.0043
USD/CNH	6.4065	0.0783
GBP/USD	1.4112	0.0002
EUR/GBP	0.8590	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.32%	0.03%
2 year swap	0.52%	0.16%
10 year Govt	1.65%	1.49%

Inflation is in the air ...

... everywhere I look around!

Ahead of Thursday's big announcement, a Federal Reserve Bank of New York study found US consumer expectations for inflation have hit an 8-year high as respondents project the inflation rate will hit 3.6% in 3 years, up from 3.1% in April.

Meanwhile, a Wall Street Journal opinion piece ahead of Thursday's FOMC meeting suggests the Fed may be closer to hitting its full employment target than originally thought as, "2.6 million people have retired since February 2020," and, as Cleveland Fed President Loretta Mester

stated, "when people retire, they don't come back into the labour force," as was also emphasised by Treasury Secretary Janet Yellen when she stated, "we don't need to regain quite that many (jobs) to get back to full employment."

Cracks are beginning to appear at the ECB ... again! First up, ECB President Christine Lagarde announced, "We need to really anchor the recovery. Our projection, and the design of the PEPP as we have it, seems to be heading in the right direction" but "it is far too early to debate these issues." Yet, within the hour, Austrian CB Governor Robert Holzmann said the program would end in March unless there was another severe wave of Covid infections.

In overnight data releases, Eurozone industrial production rose by +0.8% in April, following on from March's revised +0.4% gain, while NZ services PMI for May eased to 56.1 from April's 61.2 as the domestic economy, "continues to follow global trends with strong new orders, business, activity and sales. However, supplier deliveries remain solidly in contraction."

A survey of UK manufacturers highlighted that they have accelerated their plans for hiring and investment as, "Manufacturing growth is now firmly accelerating as restrictions have been eased and economies around the globe have started to open up".

European equities edged higher to record 7 days of gains, although US

stocks dropped from record levels while oil eased from its two year high. The rally in bond markets lost some steam as the 10 year yield firmed to 1.495% in the US and -0.25% in Germany. The NZD and AUD flatlined.

Ouch!

Top European wine exporter, J. García Carrión, is demanding compensation of EUR75m from BNP over loss-making forex trades from alleged illicit transactions. And if that wasn't bad enough, an ex-HSBC client has stated "rotten" FX traders used confidential information to 'front run' customer orders on the first day of a trial.

Bitcoin popped 10% after Elon Musk suggested Tesla could accept the crypto again if it was mined in an environmentally friendly manner. And if combustible engines didn't pollute the atmosphere, we wouldn't need electric cars either! Mind you, billionaire fund manager Paul Tudor Jones said he's nervous that the Fed isn't moving quickly enough to address inflation and advising investors to invest in more defensive investments like cash, commodities and, yep, you guessed it ... bitcoin!

Following the conclusion to the G7, the leaders agreed to continue economic stimulus and support programmes "for as long as is necessary," while they also singled out China and Russia for being naughty.



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Daily Rates

Monday 14 June 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.34					CAD	0.8673	0.9366
NZD/USD	0.7144	-0.0001	-0.0002	-0.0005	-0.0014	CHF	0.6426	0.6939
NZD/AUD	0.9261	-0.0002	-0.0007	-0.0013	-0.0028	CNY	4.5549	4.9186
NZD/JPY	78.63	-0.03	-0.08	-0.17	-0.45	DKK	4.3819	4.7318
NZD/EUR	0.5893	-0.0004	-0.0012	-0.0025	-0.0056	FJD	1.4575	1.5738
NZD/GBP	0.5063	-0.0001	-0.0002	-0.0004	-0.0012	HKD	5.5448	5.9875
						KRW	798.40	862.15
AU TWI	63.80					MYR	2.9367	3.1712
AUD/USD	0.7714	0.0001	0.0003	0.0005	0.0008	NOK	5.9410	6.4154
AUD/NZD	1.0799	0.0003	0.0008	0.0015	0.0032	SEK	5.9446	6.4193
AUD/JPY	84.90	-0.01	-0.03	-0.07	-0.23	SGD	0.9476	1.0233
AUD/EUR	0.6363	-0.0003	-0.0009	-0.0018	-0.0041	TWD	19.72	21.30
AUD/GBP	0.5466	0.0000	0.0002	0.0003	0.0004	ZAR	9.8372	10.6227
USD Index	90.51							
EUR/USD	1.2122	0.0007	0.0022	0.0043	0.0091	EQUITIES		
USD/JPY	110.07	-0.03	-0.08	-0.16	-0.41		Index	
GBP/USD	1.4112	0.0001	0.0001	0.0002	0.0004	NZX50	12,562	
EUR/GBP	0.8590	0.0005	0.0014	0.0029	0.0062	ASX200	7,312	
						Dow Jones	34,361	
						S&P 500	4,243	
						FTSE100	7,147	
						DAX 30	15,674	
						Nikkei	29,162	
						COMMODITIES		
							USD	
						Dubai Light	70.85	
						Brent Crude	73.01	
						Gold	1,865.94	
						Silver	27.87	
						CRB Index	224.27	

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%	0.05%	0.01%
FRA 90d in 3mths	0.36%	0.33%	0.05%	0.02%
FRA 180d in 6mths	0.42%	0.39%	0.10%	0.09%
1 year swap	0.37%	0.35%	0.06%	0.04%
2 year swap	0.53%	0.51%	0.16%	0.15%
3 year swap	0.77%	0.74%	0.32%	0.31%
5 year swap	1.19%	1.16%	0.75%	0.73%
10 year swap	1.80%	1.78%	1.59%	1.58%
10 year Govt bond		1.63%		1.49%

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