

Market Alert

Wednesday 16 June 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7122	-0.0005
NZD/AUD	0.9267	-0.0013
NZD/JPY	78.36	-0.17
NZD/EUR	0.5873	-0.0025
NZD/GBP	0.5058	-0.0005
NZD/CNH	4.5621	0.0535
AUD/USD	0.7685	0.0005
AUD/EUR	0.6336	-0.0018
EUR/USD	1.2128	0.0043
USD/CNH	6.4061	0.0797
GBP/USD	1.4082	0.0003
EUR/GBP	0.8612	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.32%	0.02%
2 year swap	0.52%	0.16%
10 year Govt	1.64%	1.50%

RBA July meeting is the one

The biggest central bank action this week is clearly not the minutes of the 1 June RBA meeting, judging by the market reaction. Of course, all eyes will be on the Fed's FOMC which is due to meet early tomorrow morning. However, in the meantime, we will pass the time with the RBA's minutes released yesterday afternoon, which saw the AUD/USD dip all of 15 points which was regained in relatively short order.

July is when the debate will finally be resolved on whether the RBA will extend QE purchases to the November 2024 bond, from the current April 2024 bond.

The RBA also will decide whether to end QE in September or add AUD100 billion to the kitty for another six months of purchases, or something in between.

The RBA again stressed that monetary policy would remain accommodative "until actual inflation is sustainably within the 2 to 3 per cent target range" and "significant gains in employment and a sustained return to a tight labour market. The Board viewed these conditions as unlikely until 2024 at the earliest."

The RBA doesn't usually comment on market pricing regarding itself, but it did note that "market pricing still implying an expectation that the cash rate will begin to be increased from its current level late in 2022 or early in 2023." The RBA also noted that "the Australian dollar continued to trade in a narrow range despite significant movements in some commodity prices over the prior month."

REINZ released its monthly house price figures and the result was not what first home buyers wanted to hear. Median house prices in New Zealand rose 1.9% in May and are 32.3% higher than a year earlier.

Mixed US data ahead of the Fed

Financial markets were relatively quiet overnight, the US 10 year bond is flat at 1.49% while equities are in the red in anticipation from the Fed and some bearish data. The NZD/USD trades at

0.7120 on the higher USD, while the GDT auction overnight didn't do anything to support the bird.

The GDT auction continued its move downward as its 5th consecutive auction have seen prices ease. WMP declined 1.8% as we witness the continuation of a slow unwind of the price jump from USD3,500 to USD4,364 in March.

US retail sales slipped 1.3% in May following April's revised figure of a 0.9% gain, forecasts were for a 0.8% decrease. However, this figure is likely to be distorted due to the spike in inflation and the shift in consumer preferences toward services consumption as the economy starts to reopen.

US PPI increased 0.8% for May after a 0.6% increase in April, while the core number which excludes food and energy rose 0.7% on the month. This converted to an annual rate of 6.6%, the largest gain since 2010. However, the US CPI numbers that came out last week suggest that businesses are successfully able to pass these costs along to the consumer, a phenomenon not present in the likes of China.



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Daily Rates

Wednesday 16 June 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.20					CAD	0.8679	0.9366
NZD/USD	0.7122	-0.0001	-0.0002	-0.0005	-0.0014	CHF	0.6397	0.6903
NZD/AUD	0.9267	-0.0002	-0.0007	-0.0013	-0.0028	CNY	4.5615	4.9225
NZD/JPY	78.36	-0.03	-0.08	-0.17	-0.45	DKK	4.3671	4.7127
NZD/EUR	0.5873	-0.0004	-0.0012	-0.0025	-0.0055	FJD	1.4570	1.5723
NZD/GBP	0.5058	-0.0001	-0.0002	-0.0005	-0.0012	HKD	5.5285	5.9661
						KRW	796.21	859.23
AU TWI	63.70					MYR	2.9397	3.1724
AUD/USD	0.7685	0.0001	0.0003	0.0005	0.0008	NOK	5.9294	6.3987
AUD/NZD	1.0792	0.0003	0.0008	0.0015	0.0032	SEK	5.9290	6.3983
AUD/JPY	84.56	-0.01	-0.03	-0.07	-0.23	SGD	0.9453	1.0201
AUD/EUR	0.6336	-0.0003	-0.0009	-0.0018	-0.0041	TWD	19.69	21.24
AUD/GBP	0.5457	0.0000	0.0001	0.0003	0.0004	ZAR	9.8078	10.5841
USD Index	90.53							
EUR/USD	1.2128	0.0008	0.0022	0.0043	0.0092	EQUITIES		
USD/JPY	110.04	-0.03	-0.08	-0.17	-0.42		Index	
GBP/USD	1.4082	0.0001	0.0002	0.0003	0.0005	NZX50	12,696	
EUR/GBP	0.8612	0.0005	0.0014	0.0029	0.0062	ASX200	7,379	
						Dow Jones	34,291	
						S&P 500	4,249	
						FTSE100	7,172	
						DAX 30	15,730	
						Nikkei	29,441	
						COMMODITIES		
							USD	
						Dubai Light	71.14	
						Brent Crude	74.13	
						Gold	1,859.16	
						Silver	27.65	
						CRB Index	223.37	

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%	0.04%	0.00%
FRA 90d in 3mths	0.36%	0.33%	0.05%	0.02%
FRA 180d in 6mths	0.36%	0.39%	0.11%	0.02%
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%	0.75%	0.34%	0.33%
5 year swap	1.18%	1.16%	0.78%	0.70%
10 year swap	1.81%	1.79%	1.60%	1.59%
10 year Govt bond		1.62%		1.50%

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