

# Market Alert

Friday 18 June 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7000	-0.0004
NZD/AUD	0.9275	-0.0012
NZD/JPY	77.20	-0.17
NZD/EUR	0.5881	-0.0025
NZD/GBP	0.5029	-0.0004
NZD/CNH	4.5206	0.0546
AUD/USD	0.7547	0.0005
AUD/EUR	0.6340	-0.0019
EUR/USD	1.1903	0.0043
USD/CNH	6.4590	0.0821
GBP/USD	1.3920	0.0003
EUR/GBP	0.8551	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.33%	0.02%
2 year swap	0.64%	0.20%
10 year Govt	1.79%	1.64%

## It's remarkable

For all the talk of a strong US recovery with Americans looking to rejoin the workforce, in a remarkable release, this week's jobless claims number actually increased for the first time in 7 weeks as those seeking benefits increased to 412,000, which was significantly above the forecast of 360,000. The continuing claims number increased to 3,518,000.

In New Zealand the recovery continues with the sensational Q1 2021 GDP print. Quite simply, no one forecast the 1.6% print for the quarter, nor the annualised print at 2.4%. While the countries credit cards may not be looking good, the strong

housing market, domestic spending, and construction offset the losses from tourism and international students. This saw a few of the local banks bring forward their hikes by a quarter or two.

In Australia, an incredible 115,000 jobs were added to the workforce, of which a remarkable 97,500 were full-time with the balance part-time. This saw the unemployment fall to 5.1%, well ahead of the 5.5% forecast, while the participation rate was a solid 66.2%.

In an even more remarkable twist, the Euro zone had some positive news after construction output jumped 42.3% in April, which followed on from March's upwardly revised 20.0% increase.

So, with weak data in the US and strong releases in New Zealand, Australia, and even the Euro zone, one would have thought that the antipodean currencies would have rallied, and the USD weakened in the overnight trading! Remarkably, that assumption would have been wrong with the NZD, AUD and the Euro all down around 0.75% against the USD to be trading at 0.7000, 0.7550 and 1.1900, respectively. In amongst this, equities are mixed although oil markets have come under pressure as the stronger dollar and profit taking have weighed.

So, why is this? Well, with all of this talk that the Fed is about to start discussing tapering, traders are front-running the move. Looking at the technicals, while

the NZD has broken key support levels, the AUD and the EUR are currently setting their levels at the moment. This means tomorrow morning's close, the weekly close, has even more significance.

In the bond markets, the 10 year yield in the US fell to 1.515%, while the bund increased to -0.24%, the NZ jumped 3 bps to 1.93%, and the Australian 10 year jumped a whopping 10 bps to 1.65%. It should also be noted that the US 30 year yield just hit a 4 month low at 2.105%.

## Interestingly

In an interesting antidote, while the Federal Reserve's 'dot plots' are suggesting hikes in 2023, which is still some time away, it should be remembered that the Fed's balance sheet has almost doubled to nearly USD8 trillion during the pandemic, which compares to a modest increase of 'just' USD1 trillion in the 2008 GFC.

While global interest rates are at record lows, there are about 8.7 million Americans aged 50 and over who are still paying off their college loans, and if that wasn't bad enough, their debt has increased by around 50.0% since 2017.

Financial markets are going to be volatile tonight as it's a 'triple witching' expiry!



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# Daily Rates

Friday 18 June 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.65					CAD	0.8652	0.9328
NZD/USD	0.7000	-0.0001	-0.0002	-0.0004	-0.0015	CHF	0.6424	0.6926
NZD/AUD	0.9275	-0.0002	-0.0006	-0.0012	-0.0029	CNY	4.5182	4.8714
NZD/JPY	77.20	-0.03	-0.08	-0.17	-0.46	DKK	4.3733	4.7151
NZD/EUR	0.5881	-0.0004	-0.0012	-0.0025	-0.0057	FJD	1.4323	1.5442
NZD/GBP	0.5029	-0.0001	-0.0002	-0.0004	-0.0013	HKD	5.4346	5.8594
						KRW	794.05	856.12
AU TWI	63.30					MYR	2.9204	3.1487
AUD/USD	0.7547	0.0001	0.0003	0.0005	0.0008	NOK	5.9871	6.4551
AUD/NZD	1.0782	0.0002	0.0007	0.0014	0.0034	SEK	5.9903	6.4585
AUD/JPY	83.23	-0.01	-0.03	-0.07	-0.24	SGD	0.9400	1.0134
AUD/EUR	0.6340	-0.0003	-0.0009	-0.0019	-0.0042	TWD	19.43	20.95
AUD/GBP	0.5422	0.0000	0.0001	0.0002	0.0003	ZAR	9.8914	10.6646
USD Index	91.95							
EUR/USD	1.1903	0.0007	0.0022	0.0043	0.0091	<b>EQUITIES</b>		
USD/JPY	110.30	-0.03	-0.08	-0.17	-0.43		<b>Index</b>	
GBP/USD	1.3920	0.0001	0.0002	0.0003	0.0005	NZX50	12,541	
EUR/GBP	0.8551	0.0004	0.0014	0.0029	0.0062	ASX200	7,359	
						Dow Jones	33,860	
						S&P 500	4,230	
						FTSE100	7,153	
						DAX 30	15,728	
						Nikkei	29,018	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	72.29	
						Brent Crude	73.20	
						Gold	1,773.65	
						Silver	25.98	
						CRB Index	217.05	

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.29%	0.25%	0.00%	0.02%
90 day bank bills	0.35%	0.31%	0.04%	0.00%
FRA 90d in 3mths	0.36%	0.33%	0.05%	0.02%
FRA 180d in 6mths	0.48%	0.46%	0.13%	0.11%
1 year swap	0.40%	0.38%	0.07%	0.05%
2 year swap	0.65%	0.63%	0.21%	0.19%
3 year swap	0.90%	0.88%	0.40%	0.39%
5 year swap	1.33%	1.31%	0.91%	0.82%
10 year swap	1.94%	1.92%	1.63%	1.61%
10 year Govt bond		1.77%		1.64%

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