

Market Alert

Monday 21 June 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6945	-0.0005
NZD/AUD	0.9278	-0.0012
NZD/JPY	76.58	-0.17
NZD/EUR	0.5856	-0.0025
NZD/GBP	0.5027	-0.0005
NZD/CNH	4.4851	0.0551
AUD/USD	0.7485	0.0004
AUD/EUR	0.6312	-0.0019
EUR/USD	1.1858	0.0043
USD/CNH	6.4589	0.0839
GBP/USD	1.3813	0.0004
EUR/GBP	0.8585	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.33%	0.02%
2 year swap	0.68%	0.26%
10 year Govt	1.78%	1.60%

The bullishness continues

The bullish nature of the Federal Reserve last Thursday caught a lot of market participants out, which weighed particularly heavily on equity markets in the Friday session, which saw the blue chip Dow tumble more than 500 points to post its worst week since October as investors liquidated reflation trades.

In amongst this, US bank stocks have turned from market leaders to market losers amid signs that the S&P 500 Bank Index, which had rallied 35% since the start of the year, may have outrun its

fundamentals after the index slid 8.1% past week, and over 10% in the month.

Comments from James Bullard, President of the St Louis Fed, definitely didn't help sentiment after he stated that the economy is seeing more inflation than he and his Federal Reserve colleagues had anticipated just a few months ago, and that he now expects to see the central bank increase rates next year in amongst further "in-depth discussions" on slowing asset purchases.

In amongst this though, even while economists and traders are bringing forward their hiking forecasts, we have seen a natural flow out of equities into bonds which saw the 10-year US yield fall from 1.60% at our close on Friday, to currently yield 1.44%. Best to expect some yield weakness on our open this morning!

Interestingly, one of the local banks has now forecast the RBA will raise their cash rate in early 2023 as they, "expect that the conditions for that first rate increase around full employment and inflation will have been met, while wages growth will be close to 3%," which is, coincidentally, when they are expecting the RBNZ to hike as well.

As is often the case, where bond yields go, the underlying currencies tend to follow, which was definitely the case for the NZD and the AUD with both falling around 2.75% on the week! If you want to get an 'up-to-the-minute' update on exactly what is happening, feel free to give your favourite

treasury advisor a quick call as some of our trend models have turned negative!

In other news from Friday night, producer prices in Germany increased 7.2% in the year to May to record the index's largest increase since October 2008, while UK retail sales fell -1.4% in May from April's 9.2% increase, although the April increase was solely driven by an easing in lockdown restrictions.

And speaking of the UK, this week we have the BoE on Thursday morning, which is particularly relevant as it is Andy Haldane, their Chief Economist's, last meeting. Mr Haldane has been the committee's sole advocate for dialling down stimulus and outspoken on the growing threat of inflation, warning earlier this month that the UK is at a "dangerous moment."

What to do with all this money

Saudi Arabia has merged its pension and insurance funds to create one of the largest long term investment funds with assets of over USD250 billion.

Mind you, it is in a better position than the Kuwait USD600 billion sovereign wealth fund that has been in limbo since its Board stepped down two months ago as political differences have delayed the formation of a new Board



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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	73.24					CAD	0.8651	0.9324	
NZD/USD	0.6945	-0.0001	-0.0002	-0.0005	-0.0017	CHF	0.6402	0.6900	
NZD/AUD	0.9278	-0.0002	-0.0006	-0.0012	-0.0031	CNY	4.4699	4.8177	
NZD/JPY	76.58	-0.03	-0.08	-0.17	-0.50	DKK	4.3549	4.6937	
NZD/EUR	0.5856	-0.0004	-0.0012	-0.0025	-0.0059	FJD	1.4362	1.5479	
NZD/GBP	0.5027	-0.0001	-0.0002	-0.0005	-0.0015	HKD	5.3914	5.8110	
						KRW	784.66	845.72	
AU TWI	62.70					MYR	2.8947	3.1200	
AUD/USD	0.7485	0.0001	0.0002	0.0004	0.0007	NOK	6.0187	6.4870	
AUD/NZD	1.0778	0.0002	0.0007	0.0014	0.0037	SEK	5.9923	6.4586	
AUD/JPY	82.52	-0.02	-0.04	-0.08	-0.26	SGD	0.9349	1.0077	
AUD/EUR	0.6312	-0.0003	-0.0009	-0.0019	-0.0043	TWD	19.28	20.79	
AUD/GBP	0.5419	0.0000	0.0001	0.0002	0.0003	ZAR	9.9374	10.7107	
USD Index	92.23								
EUR/USD	1.1858	0.0007	0.0022	0.0043	0.0092	EQUITIES			
USD/JPY	110.25	-0.03	-0.09	-0.17	-0.44			Index	
GBP/USD	1.3813	0.0001	0.0002	0.0004	0.0006	NZX50		12,552	
EUR/GBP	0.8585	0.0005	0.0014	0.0029	0.0063	ASX200		7,369	
						Dow Jones		33,290	
INTEREST RATES								S&P 500	4,166
		New Zealand		Australia				FTSE100	7,017
		Borrow	Invest	Borrow	Invest			DAX 30	15,448
30 day bank bills		0.29%	0.25%	0.02%	0.02%			Nikkei	28,964
90 day bank bills		0.35%	0.31%	0.04%	0.00%	COMMODITIES			
FRA 90d in 3mths		0.38%	0.35%	0.06%	0.03%				USD
FRA 180d in 6mths		0.53%	0.50%	0.15%	0.13%			Dubai Light	70.67
1 year swap		0.45%	0.43%	0.08%	0.06%			Brent Crude	73.51
2 year swap		0.69%	0.67%	0.27%	0.24%			Gold	1,763.67
3 year swap		0.95%	0.93%	0.48%	0.47%			Silver	25.76
5 year swap		1.35%	1.33%	0.92%	0.87%			CRB Index	218.78
10 year swap		1.91%	1.89%	1.61%	1.60%				
10 year Govt bond			1.77%		1.60%				

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