

Market Alert

Tuesday 22 June 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6992	-0.0005
NZD/AUD	0.9273	-0.0013
NZD/JPY	77.11	-0.19
NZD/EUR	0.5867	-0.0026
NZD/GBP	0.5020	-0.0005
NZD/CNH	4.5204	0.0542
AUD/USD	0.7540	0.0005
AUD/EUR	0.6327	-0.0020
EUR/USD	1.1917	0.0044
USD/CNH	6.4655	0.0825
GBP/USD	1.3929	0.0004
EUR/GBP	0.8556	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.33%	0.03%
2 year swap	0.73%	0.27%
10 year Govt	1.74%	1.52%

Forget equities, get into bonds

The 10 year US treasury has had quite an amazing 24 hours to start the week. Following Friday's drop to 1.44%, the rally continued in our timezone to the 1.35% level, before rebounding back to its current level of 1.49%.

A lot of this bounce can be attributed to Dallas Fed President, Robert Kaplan, after he stated he favours starting the process of tapering bond purchases "sooner rather than later" as "no one really knows how this is all going to unfold. We have to be ready for the idea that there is upside risk to inflation and for it to go higher."

Although, in saying this, New York Fed President, John Williams, was slightly contradictory, stating "*The economy has not improved enough to pare stimulus.*"

There wasn't much data last night apart from the Chicago Fed National Activity Index which increased to 0.29 in May from April's downwardly revised -0.09.

In our part of the world, one of the local banks has been on the newswires attempting to justify their high currency calls, stating "*For now, risk aversion and Fed repricing is the dominant force in FX markets. That said, when we look at fundamentals, the decline in both the AUD and NZD are not fully justified by the still elevated commodity prices and small moves in relative rate differentials.*"

To be fair, the NZD, AUD and GDP were the strongest performing currencies overnight, broadly gaining 0.90% to recover some of last weeks' losses, although they are still below key resistance levels. Part of this move can also be attributed to the VIX, the so called 'fear index,' which retraced back below the psychological 20 level, with the bounce in equities also helping as the Dow and S&P each surged 1.70% and 1.30% respectively. Oil rallied on expected drags on Iranian supply, while gold, copper and soybeans made solid gains.

In Australia preliminary retail sales for May came in at a modest +0.1% gain on the month against a forecast +0.4%.

In China, the 'State Planner' has launched an investigation into the iron ore spot market in an attempt to lower prices from those naughty speculators, which saw the metal fall 1.58%.

Meanwhile the Chinese economic powerhouse that is Guangdong has been "*hit with perfect storm of power grid uncertainty*" after usage in the area jumped 23.2% from January to May compared with a year earlier. Finally, amidst further COVID-19 lockdowns and port closures, Chinese financial media have reported some banks have cut interest rates on deposit certificates.

In the Eurozone, the 25-member ECB Governing Council has just finished a 3-day bender – sorry, I mean a policy strategy session – which led the ECB President, Christine Lagarde, to conclude "*we were able to have in-depth discussions and we made good progress in shaping the concrete features of our future monetary policy strategy*" before adding "*The recovery is gathering pace, we need to ensure support well into recovery. Tightening would be premature and would pose a risk to the ongoing economic recovery and the inflation outlook.*"

Really?

UK grocery chain, WM Morrison, surged 35% after rejecting a bid from US buyout firm Clayton Dubilier and Rice.



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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	73.60					CAD	0.8642	0.9320
NZD/USD	0.6992	-0.0001	-0.0002	-0.0005	-0.0018	CHF	0.6417	0.6920
NZD/AUD	0.9273	-0.0002	-0.0006	-0.0013	-0.0033	CNY	4.5207	4.8751
NZD/JPY	77.11	-0.03	-0.09	-0.19	-0.54	DKK	4.3628	4.7048
NZD/EUR	0.5867	-0.0004	-0.0013	-0.0026	-0.0061	FJD	1.4510	1.5647
NZD/GBP	0.5020	-0.0001	-0.0002	-0.0005	-0.0016	HKD	5.4288	5.8544
						KRW	793.16	855.34
AU TWI	62.60					MYR	2.8892	3.1157
AUD/USD	0.7540	0.0001	0.0003	0.0005	0.0007	NOK	5.9991	6.4694
AUD/NZD	1.0784	0.0002	0.0007	0.0015	0.0038	SEK	5.9642	6.4318
AUD/JPY	83.16	-0.02	-0.04	-0.09	-0.28	SGD	0.9384	1.0119
AUD/EUR	0.6327	-0.0003	-0.0009	-0.0020	-0.0044	TWD	19.45	20.97
AUD/GBP	0.5413	0.0000	0.0001	0.0002	0.0002	ZAR	9.9356	10.7145
USD Index	91.87							
EUR/USD	1.1917	0.0007	0.0022	0.0044	0.0095	EQUITIES		
USD/JPY	110.30	-0.04	-0.09	-0.19	-0.48		Index	
GBP/USD	1.3929	0.0001	0.0002	0.0004	0.0008	NZX50	12,499	
EUR/GBP	0.8556	0.0005	0.0014	0.0029	0.0063	ASX200	7,235	
						Dow Jones	33,877	
						S&P 500	4,222	
						FTSE100	7,062	
						DAX 30	15,603	
						Nikkei	28,011	
						COMMODITIES		
							USD	
						Dubai Light	71.57	
						Brent Crude	74.93	
						Gold	1,782.77	
						Silver	25.96	
						CRB Index	220.91	

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%	0.05%	0.01%
FRA 90d in 3mths	0.39%	0.36%	0.06%	0.03%
FRA 180d in 6mths	0.57%	0.54%	0.15%	0.14%
1 year swap	0.47%	0.45%	0.08%	0.06%
2 year swap	0.74%	0.71%	0.28%	0.26%
3 year swap	0.98%	0.96%	0.51%	0.50%
5 year swap	1.35%	1.33%	0.93%	0.91%
10 year swap	1.85%	1.83%	1.61%	1.59%
10 year Govt bond		1.73%		1.52%

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