

Market Alert

Thursday 24 June 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7039	-0.0005
NZD/AUD	0.9301	-0.0013
NZD/JPY	78.12	-0.18
NZD/EUR	0.5904	-0.0026
NZD/GBP	0.5045	-0.0005
NZD/CNH	4.5599	0.0565
AUD/USD	0.7568	0.0005
AUD/EUR	0.6348	-0.0019
EUR/USD	1.1921	0.0044
USD/CNH	6.4785	0.0852
GBP/USD	1.3953	0.0004
EUR/GBP	0.8544	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.34%	0.03%
2 year swap	0.72%	0.25%
10 year Govt	1.80%	1.56%

US debt levels in the spotlight

US Treasury Secretary, Janet Yellen, spoke at a Senate appropriation hearing overnight, and with the US Treasury getting close to its debt ceiling, announced "I would plead with Congress to raise the debt ceiling ASAP. It would be catastrophic for US to default and would likely precipitate a crisis." She then added "I believe current inflation patterns are temporary due to supply chain bottlenecks. Inflation will go back to normal after this year."

The dissenter, Bank of Atlanta Fed President, Raphael Bostic, announced he

favoured slowing asset purchases in the next few months and lifting interest rates as "given the upside surprises in recent data points, I have pulled forward my projection for our first move to late 2022."

The RBA (Economic) Assistant Governor, Luci Ellis, stated the board remains committed to "maintaining highly supportive monetary conditions. It's hard to know how long global supply chain bottlenecks will persist – absorbing spare capacity and achieving full employment is an important national priority."

The US Markit manufacturing PMIs jumped to 62.6 in June from 62.1 in May, well above market forecasts of 61.5. Services PMIs dropped to 64.8 in June, below forecasts of 70.0 and down from the previous month's all time high of 70.4.

The Australian preliminary trade data for May produced another record trade surplus at AUD13.3 billion as exports surged 11.0% on the month to AUD39.2 billion, while imports decreased 1.0% to AUD25.9 billion.

Interestingly, for all the talk of Chinese trade embargoes and iron ore price gouging, China accounted for 42% of Australia's exports with iron ore exports up by AUD2.5 billion, or 18%, on the month. Perhaps unsurprisingly, one of the local banks has already forecasted the RBA will start it's hiking cycle from November 2022.

In amongst the commodity investigation into hoarding, China has announced plans to sell industrial metals from its stockpiles in an attempt to slow/cap price gains, while the China Securities Journal has an article stating China should be alert to the risks of a depreciating yuan. Meanwhile in political news, a the US destroyer has sailed through the Taiwan Straits, which led to the Chinese Global Times reporting that the Chinese military is ready to respond to all provocation.

As for the Markets, equities were flat as markets looked through the US PMI data, although commodities had a mild surge. Once again, the NZD and AUD, along with the JPY, were the strongest performers overnight although the gains were only modest as the 200 day moving averages continue to weigh.

In other news

The BoJ minutes from its April meeting highlighted that any pick up in inflation is likely to lack strength, UK business confidence hit a five-year high, up 21 points on the month to +11, its highest level since July 2016, and BoC Governor, Tiff Macklem, is in the final stages of a review that could see him request more authority from Canadian government to run the economy hot.

Finally, PayPal and Visa have invested USD300 million into venture capital firm, Blockchain Capital's latest fund.



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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	74.20					CAD	0.8665	0.9316
NZD/USD	0.7039	-0.0001	-0.0002	-0.0005	-0.0017	CHF	0.6468	0.6954
NZD/AUD	0.9301	-0.0002	-0.0006	-0.0013	-0.0032	CNY	4.5706	4.9140
NZD/JPY	78.12	-0.03	-0.08	-0.18	-0.52	DKK	4.3908	4.7207
NZD/EUR	0.5904	-0.0004	-0.0013	-0.0026	-0.0061	FJD	1.4545	1.5638
NZD/GBP	0.5045	-0.0001	-0.0002	-0.0005	-0.0015	HKD	5.4652	5.8759
						KRW	800.58	860.74
AU TWI	63.00					MYR	2.9324	3.1528
AUD/USD	0.7568	0.0001	0.0003	0.0005	0.0007	NOK	6.0132	6.4651
AUD/NZD	1.0752	0.0002	0.0007	0.0015	0.0037	SEK	5.9801	6.4295
AUD/JPY	84.00	-0.01	-0.04	-0.08	-0.27	SGD	0.9475	1.0187
AUD/EUR	0.6348	-0.0003	-0.0010	-0.0019	-0.0044	TWD	19.71	21.19
AUD/GBP	0.5424	0.0000	0.0001	0.0002	0.0002	ZAR	10.0302	10.7840
USD Index	91.85							
EUR/USD	1.1921	0.0007	0.0022	0.0044	0.0095	EQUITIES		
USD/JPY	111.00	-0.03	-0.09	-0.18	-0.47		Index	
GBP/USD	1.3953	0.0001	0.0002	0.0004	0.0008	NZX50	12,587	
EUR/GBP	0.8544	0.0005	0.0015	0.0029	0.0063	ASX200	7,298	
						Dow Jones	33,893	
						S&P 500	4,250	
						FTSE100	7,074	
						DAX 30	15,456	
						Nikkei	28,875	
						COMMODITIES		
							USD	
						Dubai Light	73.14	
						Brent Crude	75.35	
						Gold	1,774.65	
						Silver	25.79	
						CRB Index	222.37	

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	0.36%	0.32%	0.05%	0.01%
FRA 90d in 3mths	0.39%	0.36%	0.06%	0.03%
FRA 180d in 6mths	0.56%	0.53%	0.14%	0.13%
1 year swap	0.46%	0.44%	0.08%	0.06%
2 year swap	0.73%	0.71%	0.26%	0.24%
3 year swap	0.98%	0.96%	0.45%	0.44%
5 year swap	1.37%	1.35%	0.89%	0.83%
10 year swap	1.91%	1.89%	1.61%	1.59%
10 year Govt bond		1.78%		1.56%

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