

Market Alert

Monday 28 June 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7071	-0.0006
NZD/AUD	0.9329	-0.0013
NZD/JPY	78.32	-0.19
NZD/EUR	0.5926	-0.0027
NZD/GBP	0.5090	-0.0006
NZD/CNH	4.5664	0.0527
AUD/USD	0.7579	0.0005
AUD/EUR	0.6350	-0.0019
EUR/USD	1.1935	0.0044
USD/CNH	6.4589	0.0799
GBP/USD	1.3894	0.0004
EUR/GBP	0.8590	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.33%	0.03%
2 year swap	0.77%	0.28%
10 year Govt	1.81%	1.56%

Is the data really relevant?

US core PCE, the Fed's favourite inflation indicator, saw prices rise at their fastest pace since 1992 increasing at 3.4% on the year, which was in line with expectations and an increase on April's 3.1%.

To be fair though, the issue with releases such as this is that it's off such a low base due to the COVID-19 impact, and at the end of the day, the Fed has gone to great pains to reiterate that these price pressures are transitory as emphasised by Fed member Eric Rosengren. He stated "The criteria is that we have a

sustainable inflation rate, that's 2.0% or above, and that we're at full employment," although he wasn't quoting from the Fed play-book when he said, "I do expect that it's quite possible that we will see that by the end of next year, but it does depend on whether the economy progresses as strongly as I'm expecting. I expect core inflation slightly above 2% next year."

In other US data releases, the University of Michigan's consumer sentiment index was revised lower to 85.5 in June against a forecast 86.4, while consumer spending unexpectedly stalled at 0.0% in May with April's number revised up to +0.9%.

It is a similar story with the Chinese data when trying to compare annualised data, as we noted after industrial profits rose 36.4% for the year to May, which followed on from April's 57% increase. In amongst the detail, it should be noted that rising commodity prices have boosted profits for upstream industries, such as raw material producers, although they have put a squeeze on downstream businesses with input costs climbing substantially.

The New Zealand trade balance for May increased to NZD469 million from April's NZD388 million surplus and exports increased 9.31% to NZD5.87 billion while imports increased 8.4% to NZD5.4 billion. Furthermore, the quarterly Employment Confidence Index increased 4.4 points to 103.69

as confidence returned to the labour markets, although employers expressed concerns about skills shortages.

In amongst all of this, European stocks, closed near all-time highs, US equities had their best week in months, while the US dollar recorded its first 'down' week in a month. This saw the NZD and AUD close slightly higher to finish the week above their respective 200-day moving averages, although the Euro's bounce hasn't been quite as strong as it's still lagging its 200-day moving average by about three quarters of a cent.

Interestingly, bond markets firmed with the US 10-year yield up to 1.52% and the bund up to -0.16%, while the New Zealand futures market is now pricing in a 100% probability of a 25 point hike by February 2022, with a 92% chance of a second 25 point hike by August 2022.

Good news for bank stocks

The Federal Reserve announced that they will lift pandemic restrictions limiting bank share buybacks and dividends from 30 June onwards after the banks passed their stress tests. The Fed test revealed the largest US banks have strong capital levels, and that in a contracted slowdown with large projected losses, banks would still have projected capital ratios twice as high as regulatory minimums.



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Daily Rates

Monday 28 June 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.36					CAD	0.8693	0.9318
NZD/USD	0.7071	0.0000	-0.0002	-0.0006	-0.0020	CHF	0.6497	0.6965
NZD/AUD	0.9329	-0.0002	-0.0006	-0.0013	-0.0035	CNY	4.5642	4.8927
NZD/JPY	78.32	-0.03	-0.09	-0.19	-0.55	DKK	4.4050	4.7221
NZD/EUR	0.5926	-0.0004	-0.0013	-0.0027	-0.0063	FJD	1.4560	1.5608
NZD/GBP	0.5090	-0.0001	-0.0002	-0.0006	-0.0018	HKD	5.4865	5.8814
						KRW	797.49	854.89
AU TWI	63.20					MYR	2.9416	3.1533
AUD/USD	0.7579	0.0001	0.0003	0.0005	0.0007	NOK	6.0042	6.4364
AUD/NZD	1.0720	0.0002	0.0007	0.0015	0.0040	SEK	6.0052	6.4375
AUD/JPY	83.94	-0.01	-0.04	-0.08	-0.28	SGD	0.9490	1.0173
AUD/EUR	0.6350	-0.0003	-0.0009	-0.0019	-0.0045	TWD	19.73	21.15
AUD/GBP	0.5455	0.0000	0.0001	0.0002	0.0001	ZAR	10.0149	10.7358
USD Index	91.85							
EUR/USD	1.1935	0.0007	0.0022	0.0044	0.0095	EQUITIES		
USD/JPY	110.76	-0.03	-0.09	-0.18	-0.47			Index
GBP/USD	1.3894	0.0001	0.0003	0.0004	0.0009	NZX50		12,626
EUR/GBP	0.8590	0.0005	0.0014	0.0029	0.0063	ASX200		7,308
						Dow Jones		34,434
INTEREST RATES						S&P 500		4,281
		New Zealand		Australia		FTSE100		7,136
		Borrow	Invest	Borrow	Invest	DAX 30		15,608
30 day bank bills		0.29%	0.25%	0.02%	0.02%	Nikkei		29,066
90 day bank bills		0.35%	0.31%	0.05%	0.01%	COMMODITIES		
FRA 90d in 3mths		0.42%	0.39%	0.08%	0.05%			USD
FRA 180d in 6mths		0.62%	0.59%	0.17%	0.16%	Dubai Light		72.61
1 year swap		0.51%	0.49%	0.10%	0.08%	Brent Crude		76.18
2 year swap		0.78%	0.75%	0.29%	0.27%	Gold		1,780.77
3 year swap		1.02%	1.00%	0.51%	0.50%	Silver		26.07
5 year swap		1.39%	1.37%	0.93%	0.84%	CRB Index		223.62
10 year swap		1.93%	1.90%	1.65%	1.64%			
10 year Govt bond			1.79%		1.56%			

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