

# Market Alert

Wednesday 30 June 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6993	-0.0006
NZD/AUD	0.9308	-0.0016
NZD/JPY	77.29	-0.23
NZD/EUR	0.5876	-0.0029
NZD/GBP	0.5049	-0.0007
NZD/CNH	4.5202	0.0535
AUD/USD	0.7513	0.0006
AUD/EUR	0.6313	-0.0021
EUR/USD	1.1902	0.0049
USD/CNH	6.4641	0.0821
GBP/USD	1.3851	0.0009
EUR/GBP	0.8593	0.0030

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.34%	0.03%
2 year swap	0.79%	0.26%
10 year Govt	1.77%	1.54%

## Lots of talk, but few headlines

The RBNZ Governor, Adrian Orr, made comments yesterday that were both measured and optimistic as he highlighted “the New Zealand economy activity is returning to pre-pandemic levels. However, vulnerabilities still remain, and the recovery needs continued monetary and fiscal support. As long as COVID-19 is contained and the global and economic recovery is sustained, eventually economic policy settings can be expected to normalise over the medium term.”

The Australian business activity index continued its recovery to print at 63.1

in Q2 following on from Q1’s 59.4 and Q4’s 48.7. The fact that the index was so far above 50 suggests that conditions are expanding at a brisk pace domestically, evidenced by the rebound in manufacturing and construction sectors, while equipment investment also lifted under the Federal Government’s tax initiatives. Unfortunately, profit expectations were markedly lower with margins under pressure as costs increased due to supply disruptions and elevated trade tensions.

In perhaps the least surprising headline of the year, US house prices rose 14.9% in April, following on from March’s revised 13.4% jump, according to the CoreLogic Case-Shiller price index. Of more consequence for the US dollar was the Consumer Confidence report, which was significantly higher at 127.3 versus the 119.0 expected.

In Europe, Germany CPI remained above the ECB’s target for a second straight month after gaining 0.4% on the month and 2.3% on the year, although it was lower than May’s 13 year high of 2.5%.

We also had, for a change, a few ‘quotes’ overnight. From the Fed, Barkin stated “in order to evaluate inflation, I am regularly monitoring rents and demand for goods. I expect certain price rises to reverse in some industries,” while Kashkari added “The US economy remains in a deep hole. I do not wish to prematurely cut off the recovery.” ECB President, Christine Lagarde, also

gave a speech in which she focused on a ‘green’ recovery, stating “we need to add another element to our post-pandemic recovery plan with what I have termed a green capital markets union – a truly green European capital market that transcends national borders.”

As mentioned, the positive US Consumer Confidence number saw the US-dollar put on a modest 0.2% gain, which hit the AUD, NZD, and the EUR particularly hard falling 0.75%, 0.60% and 0.25% respectively. Commodities were a real mixed bag, while equities and bonds were flat with the US 10 year Treasury bond at 1.48%, the bund at -0.17%, while the antipodeans were yielding 1.55% in Australia and 1.79% in New Zealand.

## To digitalise, or not to digitalise, that is the question

Unlike Fed member Randal Quarles, ECB Governing Council member, Francois Villeroy de Galhau, believes China’s rapid progress in developing a digital yuan poses a key risk in preserving the euro’s international role as “The risk is clearly that Europe will lose momentum not just in its drive to strengthen the international role of the euro, but even in preserving it.” Mind you, Russia has just announced it will have developed a digital Rouble by December, with trials due to start with 12 banks in January.



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# Daily Rates

Wednesday 30 June 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.75					CAD	0.8665	0.9309
NZD/USD	0.6993	0.0000	-0.0002	-0.0006	-0.0021	CHF	0.6438	0.6916
NZD/AUD	0.9308	-0.0002	-0.0006	-0.0016	-0.0036	CNY	4.5208	4.8568
NZD/JPY	77.29	-0.03	-0.08	-0.23	-0.55	DKK	4.3693	4.6941
NZD/EUR	0.5876	-0.0004	-0.0013	-0.0029	-0.0063	FJD	1.4393	1.5463
NZD/GBP	0.5049	-0.0001	-0.0002	-0.0007	-0.0018	HKD	5.4283	5.8319
						KRW	789.15	847.82
AU TWI	63.00					MYR	2.9067	3.1227
AUD/USD	0.7513	0.0001	0.0003	0.0006	0.0007	NOK	5.9841	6.4290
AUD/NZD	1.0743	0.0002	0.0007	0.0018	0.0042	SEK	5.9589	6.4019
AUD/JPY	83.05	-0.01	-0.03	-0.11	-0.27	SGD	0.9407	1.0106
AUD/EUR	0.6313	-0.0003	-0.0009	-0.0021	-0.0044	TWD	19.52	20.97
AUD/GBP	0.5424	0.0000	0.0001	0.0001	0.0001	ZAR	10.0268	10.7722
USD Index	92.07							
EUR/USD	1.1902	0.0008	0.0022	0.0049	0.0094	<b>EQUITIES</b>		
USD/JPY	110.54	-0.03	-0.09	-0.24	-0.46			<b>Index</b>
GBP/USD	1.3851	0.0001	0.0003	0.0009	0.0009	NZX50		12,640
EUR/GBP	0.8593	0.0005	0.0014	0.0030	0.0063	ASX200		7,301
						Dow Jones		34,295
						S&P 500		4,291
						FTSE100		7,088
						DAX 30		15,691
						Nikkei		28,813
						<b>COMMODITIES</b>		
								<b>USD</b>
						Dubai Light		72.26
						Brent Crude		75.12
						Gold		1,761.66
						Silver		25.78
						CRB Index		224.58

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.28%	0.24%	0.00%	0.02%
90 day bank bills	0.36%	0.32%	0.05%	0.01%
FRA 90d in 3mths	0.42%	0.39%	0.08%	0.05%
FRA 180d in 6mths	0.65%	0.62%	0.17%	0.15%
1 year swap	0.50%	0.48%	0.10%	0.08%
2 year swap	0.80%	0.78%	0.27%	0.25%
3 year swap	1.03%	1.01%	0.48%	0.47%
5 year swap	1.38%	1.36%	0.92%	0.85%
10 year swap	1.90%	1.88%	1.57%	1.56%
10 year Govt bond		1.75%		1.54%

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