

Market Alert

Friday 4 June 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7140	-0.0005
NZD/AUD	0.9324	-0.0013
NZD/JPY	78.74	-0.17
NZD/EUR	0.5886	-0.0025
NZD/GBP	0.5062	-0.0004
NZD/CNH	4.5688	0.0481
AUD/USD	0.7658	0.0005
AUD/EUR	0.6313	-0.0019
EUR/USD	1.2131	0.0043
USD/CNH	6.3994	0.0723
GBP/USD	1.4105	0.0001
EUR/GBP	0.8600	0.0030

INTRATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.32%	0.03%
2 year swap	0.57%	0.16%
10 year Govt	1.79%	1.67%

The lull before non-farm

The Federal Reserve announced it will begin selling down, or tapering, its holdings of corporate bonds purchased last year as part of its Secondary Market Corporate Credit Facility.

While it was possibly more psychological than effective, the Fed nevertheless holds USD8.6 billion in corporate bond ETFs and USD5.2 billion of individual corporate bonds. By all accounts, the Fed is sitting on a gain of USD140 million from the ETF price appreciation alone, although the Fed emphasized the sales

will be gradual, orderly and “will aim to minimize the potential for any adverse impact on market functioning.” Thank heavens for that!

In other US data, the ADP employment report showed companies added the most jobs in 11 months as 978,000 people returned to work, while initial claims dropped below the 400,000 level for the first time since the pandemic hit to reach a mere 385,000 last week. Finally, the ISM services PMI increased to 64.0 in May to record a new record high and beat market forecasts of 63.0.

We also had a few Fed members on the newswires with Robert Kaplan, “expecting more people to return to jobs market when benefits expire. We’d be better off weaning off bond purchases, the Feds job is not to monetise debt.” While John C. Williams said “I do think it makes sense for us to be thinking through the various options we may have in the future.”

So, while RBNZ Governor, Adrian Orr, and Assistant Governor, Christian Hawkesby, have both talked about the option to cut rates since the MPC, the RBNZ Deputy Governor, Geoff Bascand, stated “very loose policy will not last ‘forever’. Rates will rise but when is the question.”

He then added “international shipping costs were high, and is watching how these, and other supply constraints, translate

into expectations for inflation and wage pressure.” The NZ budget deficit for the first 10 months of the financial year was NZD3.57 billion smaller than forecast.

Australia had a whole host of data with construction PMI’s easing to 58.3 in May as the indexes for employment, input prices and selling prices all hit record highs. Meanwhile the Markit final services and composite PMI’s both printed at 58.0, slightly below the preliminary’s, with the usual employment and inflationary pressures. The Australian trade balance for April produced a surplus of AUD8,028 million, slightly below the AUD8,250 million, while the final April retail sales number came out in line with the preliminary at +1.1%.

The Caixin/Markit PMIs for China showed services at 55.1 and the composite at 53.8 for May, down from April’s numbers but still in expansionary mode.

Given the strong US employment and services data, the US dollar index extended gains to 90.5 ahead of tonight’s pivotal non-farm payrolls. This saw the NZD and AUD both get hit particularly hard, with both sitting just above key support levels. Meanwhile, US equities pared back some losses after news leaked that President Joe Biden may be open to a lower corporate tax rate than the 28.0%, while the 10 year yield firmed to 1.62%.



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Daily Rates

Friday 4 June 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.46					CAD	0.8641	0.9268
NZD/USD	0.7140	-0.0001	-0.0002	-0.0005	-0.0015	CHF	0.6451	0.6919
NZD/AUD	0.9324	-0.0002	-0.0007	-0.0013	-0.0029	CNY	4.5813	4.9137
NZD/JPY	78.74	-0.03	-0.08	-0.17	-0.46	DKK	4.3767	4.6943
NZD/EUR	0.5886	-0.0004	-0.0012	-0.0025	-0.0056	FJD	1.4502	1.5554
NZD/GBP	0.5062	-0.0001	-0.0002	-0.0004	-0.0012	HKD	5.5394	5.9413
						KRW	797.36	855.21
AU TWI	63.70					MYR	2.9759	3.1918
AUD/USD	0.7658	0.0001	0.0003	0.0005	0.0007	NOK	5.9827	6.4167
AUD/NZD	1.0726	0.0003	0.0008	0.0015	0.0033	SEK	5.9468	6.3783
AUD/JPY	84.45	-0.01	-0.03	-0.07	-0.23	SGD	0.9484	1.0172
AUD/EUR	0.6313	-0.0003	-0.0009	-0.0019	-0.0041	TWD	19.76	21.19
AUD/GBP	0.5429	0.0001	0.0002	0.0003	0.0004	ZAR	9.7408	10.4475
USD Index	90.47							
EUR/USD	1.2131	0.0007	0.0022	0.0043	0.0091	EQUITIES		
USD/JPY	110.29	-0.03	-0.08	-0.16	-0.40			Index
GBP/USD	1.4105	0.0001	0.0001	0.0001	0.0003	NZX50		12,430
EUR/GBP	0.8600	0.0005	0.0015	0.0030	0.0063	ASX200		7,260
						Dow Jones		34,587
						S&P 500		4,195
						FTSE100		7,064
						DAX 30		15,633
						Nikkei		29,058
						COMMODITIES		
								USD
						Dubai Light		68.88
						Brent Crude		71.31
						Gold		1,871.25
						Silver		27.44
						CRB Index		220.48

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	0.34%	0.30%	0.05%	0.01%
FRA 90d in 3mths	0.35%	0.32%	0.05%	0.02%
FRA 180d in 6mths	0.44%	0.41%	0.10%	0.09%
1 year swap	0.38%	0.36%	0.06%	0.05%
2 year swap	0.58%	0.56%	0.16%	0.16%
3 year swap	0.85%	0.82%	0.35%	0.33%
5 year swap	1.30%	1.27%	0.84%	0.78%
10 year swap	1.99%	1.96%	1.69%	1.68%
10 year Govt bond		1.78%		1.67%

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