

Market Alert

Wednesday 9 June 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7195	-0.0005
NZD/AUD	0.9296	-0.0012
NZD/JPY	78.76	-0.18
NZD/EUR	0.5910	-0.0025
NZD/GBP	0.5083	-0.0004
NZD/CNH	4.6051	0.0513
AUD/USD	0.7740	0.0005
AUD/EUR	0.6357	-0.0018
EUR/USD	1.2174	0.0043
USD/CNH	6.4009	0.0758
GBP/USD	1.4155	0.0002
EUR/GBP	0.8601	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.32%	0.02%
2 year swap	0.56%	0.16%
10 year Govt	1.80%	1.61%

Steady as she blows

The US trade deficit narrowed to USD68.9 billion in April from March's record high of USD75 billion. This was in line with market expectations with exports up 1.1% while imports dropped 1.4%. In other US data releases, it's getting pretty hard to avoid the conclusion that unemployment benefits are essentially paying people not to work after job openings surged by 998,000 to 9.3 million, while the Atlanta Fed has lowered its US Q2 growth forecast to 'just' 9.4%.

Meanwhile, in the Euro-zone, the economy shrank by 0.3% in Q1 and -1.3%

on the year. The quarterly number was better than the preliminary estimate of a -0.6% contraction although it should be noted that the Union has officially entered a double dip recession. In Germany, the ZEW economic sentiment index eased to 79.8 in June. Yes, it was way below forecasts of 86, and down on May's 21-year high at 84.4, but it still remains at a high level.

However, don't worry, because the World Bank thinks everything is going to be fine and they've raised their real GDP growth forecasts to 5.6% for 2021, up from the estimated 4.1% projected in January.

Markets were mixed overnight although there was some good news. Historically, pension funds have always been underfunded relative to their obligations, which has forced them to chase enhanced returns by investing in riskier assets. However, the 12-month equity rally has seen the largest US funds increase the percentage of capital required, against their obligations, increase from 82% to 98.8%! While this is good news, the 'word on the street' is that when this ratio hits 100%, these funds will sell down their equity holdings and shift these funds into high-grade debt!

In commodity news, Brent and West Texas crude firmed to USD72.34 and USD70.20, while copper, coal and steel all rallied. The NZD and AUD eased a touch, while bond yields fell with the US 10-year at 1.53%.

In other news, the Global Times, the unofficial mouthpiece for the Chinese government, has advised Australia to diversify its iron ore exports away from China. Australian May 2021 business confidence survey came in at 20 while the business conditions was at 37, this was against the previous 26 and 32. And, the Peterson Institute for International Economics has issued a word-fest on rising commodity prices and concerns that the world is running out of critical resources stating that, "Peak production panic surrounding copper, and other commodities, is overblown."

"Don't mention the war"

I did, but I think I got away with it!

The fallout from Brexit continues after EU vice president Maros Sefcovic threatened the UK with a 'sausage trade war' stating, "Brussels will start a trade war with Britain if Boris Johnson overrides the Brexit treaty so that Northern Irish shops can keep selling British sausages."

Is this a conflict of interest? Tim Wu is an antitrust expert and an adviser to US President, Joe Biden. He is also a tough critic on the power that tech companies wield, although, he owns between USD1 million and USD5 million in Bitcoin.



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Daily Rates

Wednesday 9 June 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.76					CAD	0.8717	0.9377
NZD/USD	0.7195	-0.0001	-0.0002	-0.0005	-0.0014	CHF	0.6452	0.6941
NZD/AUD	0.9296	-0.0002	-0.0006	-0.0012	-0.0028	CNY	4.6049	4.9536
NZD/JPY	78.76	-0.03	-0.09	-0.18	-0.46	DKK	4.3949	4.7277
NZD/EUR	0.5910	-0.0004	-0.0012	-0.0025	-0.0056	FJD	1.4613	1.5720
NZD/GBP	0.5083	-0.0001	-0.0002	-0.0004	-0.0011	HKD	5.5830	6.0058
						KRW	803.80	864.67
AU TWI	63.80					MYR	2.9718	3.1968
AUD/USD	0.7740	0.0001	0.0003	0.0005	0.0008	NOK	5.9471	6.3975
AUD/NZD	1.0757	0.0003	0.0007	0.0014	0.0032	SEK	5.9496	6.4001
AUD/JPY	84.72	-0.01	-0.03	-0.08	-0.24	SGD	0.9526	1.0247
AUD/EUR	0.6357	-0.0003	-0.0009	-0.0018	-0.0041	TWD	19.93	21.44
AUD/GBP	0.5468	0.0001	0.0002	0.0003	0.0004	ZAR	9.7608	10.4999
USD Index	90.12							
EUR/USD	1.2174	0.0008	0.0022	0.0043	0.0091	EQUITIES		
USD/JPY	109.47	-0.03	-0.09	-0.17	-0.42		Index	
GBP/USD	1.4155	0.0001	0.0001	0.0002	0.0004	NZX50	12,518	
EUR/GBP	0.8601	0.0005	0.0015	0.0030	0.0062	ASX200	7,293	
						Dow Jones	34,599	
						S&P 500	4,229	
						FTSE100	7,095	
						DAX 30	15,641	
						Nikkei	28,964	
						COMMODITIES		
							USD	
						Dubai Light	69.12	
						Brent Crude	72.34	
						Gold	1,893.38	
						Silver	27.62	
						CRB Index	224.46	

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%	0.04%	0.00%
FRA 90d in 3mths	0.35%	0.32%	0.05%	0.02%
FRA 180d in 6mths	0.43%	0.40%	0.10%	0.09%
1 year swap	0.38%	0.36%	0.06%	0.04%
2 year swap	0.57%	0.55%	0.16%	0.16%
3 year swap	0.84%	0.82%	0.34%	0.32%
5 year swap	1.28%	1.26%	0.80%	0.74%
10 year swap	1.96%	1.94%	1.62%	1.62%
10 year Govt bond		1.78%		1.61%

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