

Market Alert

Wednesday 17 March 2021

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.7193 | -0.0004 |
| NZD/AUD | 0.9286 | -0.0010 |
| NZD/JPY | 78.38 | -0.19 |
| NZD/EUR | 0.6042 | -0.0027 |
| NZD/GBP | 0.5177 | -0.0006 |
| NZD/CNH | 4.6762 | 0.0630 |
| AUD/USD | 0.7747 | 0.0004 |
| AUD/EUR | 0.6507 | -0.0022 |
| EUR/USD | 1.1905 | 0.0048 |
| USD/CNH | 6.5030 | 0.0910 |
| GBP/USD | 1.3896 | 0.0008 |
| EUR/GBP | 0.8568 | 0.0030 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 0.25% | 0.10% |
| 90 day bills | 0.33% | 0.04% |
| 2 year swap | 0.53% | 0.14% |
| 10 year Govt | 1.76% | 1.69% |

'Top of the morning, to you!'

Happy St Patrick's day!

The RBA March monetary policy meeting minutes highlighted that "very significant monetary support to be needed for some time. The board will maintain stimulatory monetary conditions for as long as is necessary and remains committed to (the) three-year yield target" before warning there "may be a pause in the employment market on fiscal tapering."

The minutes then reverted to trend with the usual "we will not raise cash rate until inflation sustainably in 2-3% target band. Do not expect to reach targets for

unemployment, inflation until 2024 at the earliest. Negative interest rates (are) extraordinarily unlikely."

Overnight we had poor US data with retail sales shrinking 3.0% in the month of February, much worse than the market forecast of a 0.5% fall while industrial production slumped 2.2% and import prices increased 1.3%.

Against this, European sentiment remained strong as the German ZEW indicator rose by 5.4 points in March to 76.6, above market expectations of 74.0 and not far from September's 20 year high of 77.4, while the Euro Area ZEW indicator rose by 4.4 points to 74.0 for its highest reading since 2004.

Here is a bit of a contradiction; The ECB's Peter Kazimir stated "Eurozone yield gains are not dramatic for now" while Frank Elderson said "inflation to go higher but the central bank will look through it."

Speaking of contradictions, Guggenheim Investments said that it was time for an inflation 'reality check' as, "our view is that inflation will generally remain subdued in coming years, allowing the Fed to delay the start of policy tightening," while the Bridgewater CIO warned, "the world is on the verge of a new inflationary wave that could force the Federal Reserve to raise rates earlier than planned."

The US SEC has laid charges over fraudulent stock market tweets, while post Brexit, the UK is poised for its best quarter of IPO's since 2008!

The stock market's fear gauge, the VIX, has just broken key resistance at 20.0% to hit its lowest level since the onset of the pandemic.

Markets were pretty quiet overnight ahead of tomorrow's Fed meeting and New Zealand Q4 GDP.

The US 10 year yield is at 1.62%, the EU at -0.34%, while NZD/USD and AUS/USD are at 0.7190 and 0.7745 respectively. The GDT auction fell by 3.8%.

Thought for the day

Could we be entering a currency war without even knowing it?

Looking at the Federal Reserves and ECB's comments on the recent moves in long-term yields, Fed Chairman, Jerome Powell, announced "the recent run-up in bond yields is a statement of confidence in a robust economic outlook."

ECB president, Christine Lagarde, said "the recent rise in bond yields could have an undesirable impact on the Eurozone economic recovery," and has since fast tracked the PEPP bond buying programme.

So, the ECB is taking action to weigh down long end bond yields thus weakening the EUR, while the Fed are more inclined to maintain its current operations allowing yields, and the USD, to rise.



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Daily Rates

Wednesday 17 March 2021

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------|--------|------------|---------|---------|---------|--------------------|---------|--------------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 75.33 | | | | | CAD | 0.8948 | 0.9635 |
| NZD/USD | 0.7193 | 0.0000 | -0.0001 | -0.0004 | -0.0012 | CHF | 0.6653 | 0.7165 |
| NZD/AUD | 0.9286 | -0.0001 | -0.0005 | -0.0010 | -0.0022 | CNY | 4.6754 | 5.0349 |
| NZD/JPY | 78.38 | -0.02 | -0.08 | -0.19 | -0.52 | DKK | 4.4927 | 4.8381 |
| NZD/EUR | 0.6042 | -0.0004 | -0.0013 | -0.0027 | -0.0061 | FJD | 1.4637 | 1.5762 |
| NZD/GBP | 0.5248 | -0.0001 | -0.0002 | -0.0006 | -0.0016 | HKD | 5.5852 | 6.0146 |
| | | | | | | KRW | 813.86 | 876.44 |
| AU TWI | 64.50 | | | | | MYR | 2.9540 | 3.1811 |
| AUD/USD | 0.7747 | 0.0001 | 0.0003 | 0.0004 | 0.0006 | NOK | 6.0959 | 6.5646 |
| AUD/NZD | 1.0769 | 0.0002 | 0.0005 | 0.0012 | 0.0026 | SEK | 6.1124 | 6.5823 |
| AUD/JPY | 84.42 | -0.01 | -0.05 | -0.11 | -0.35 | SGD | 0.9676 | 1.0420 |
| AUD/EUR | 0.6507 | -0.0004 | -0.0011 | -0.0022 | -0.0050 | TWD | 20.34 | 21.90 |
| AUD/GBP | 0.5575 | 0.0000 | 0.0000 | 0.0000 | -0.0003 | ZAR | 10.7132 | 11.5369 |
| USD Index | 91.86 | | | | | | | |
| EUR/USD | 1.1905 | 0.0009 | 0.0024 | 0.0048 | 0.0100 | EQUITIES | | |
| USD/JPY | 108.98 | -0.04 | -0.10 | -0.21 | -0.53 | | | Index |
| GBP/USD | 1.3896 | 0.0002 | 0.0004 | 0.0008 | 0.0019 | NZX50 | | 12,689 |
| EUR/GBP | 0.8568 | 0.0005 | 0.0014 | 0.0030 | 0.0061 | ASX200 | | 6,827 |
| | | | | | | Dow Jones | | 32,804 |
| | | | | | | S&P 500 | | 3,959 |
| | | | | | | FTSE100 | | 6,804 |
| | | | | | | DAX 30 | | 14,558 |
| | | | | | | Nikkei | | 29,921 |
| | | | | | | | | |
| | | | | | | COMMODITIES | | |
| | | | | | | | | USD |
| | | | | | | Dubai Light | | 66.16 |
| | | | | | | Brent Crude | | 68.37 |
| | | | | | | Gold | | 1,730.41 |
| | | | | | | Silver | | 25.87 |
| | | | | | | CRB Index | | 205.54 |

| INTEREST RATES | New Zealand | | Australia | |
|-------------------|-------------|--------|-----------|--------|
| | Borrow | Invest | Borrow | Invest |
| 30 day bank bills | 0.28% | 0.24% | 0.02% | 0.02% |
| 90 day bank bills | 0.35% | 0.31% | 0.06% | 0.02% |
| FRA 90d in 3mths | 0.36% | 0.31% | 0.08% | 0.03% |
| FRA 180d in 6mths | 0.40% | 0.37% | 0.14% | 0.10% |
| 1 year swap | 0.38% | 0.35% | 0.09% | 0.05% |
| 2 year swap | 0.55% | 0.52% | 0.15% | 0.14% |
| 3 year swap | 0.76% | 0.73% | 0.31% | 0.29% |
| 5 year swap | 1.21% | 1.19% | 0.83% | 0.81% |
| 10 year swap | 1.95% | 1.92% | 1.80% | 1.78% |
| 10 year Govt bond | | 1.74% | | 1.69% |

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