

Market Alert

Tuesday 2 March 2021

| CURRENCIES | Spot | 6mths |
|--------------|--------|-----------|
| NZD/USD | 0.7270 | -0.0004 |
| NZD/AUD | 0.9347 | -0.0009 |
| NZD/JPY | 77.65 | -0.20 |
| NZD/EUR | 0.6035 | -0.0027 |
| NZD/GBP | 0.5248 | -0.0006 |
| NZD/CNH | 4.7021 | 0.0580 |
| AUD/USD | 0.7777 | 0.0004 |
| AUD/EUR | 0.6456 | -0.0023 |
| EUR/USD | 1.2046 | 0.0049 |
| USD/CNH | 7.1227 | 0.0830 |
| GBP/USD | 1.3925 | 0.0008 |
| EUR/GBP | 0.8651 | 0.0030 |
| INT RATES | NZ | Australia |
| OCR/Cash | 0.25% | 0.10% |
| 90 day bills | 0.32% | 0.03% |
| 2 year swap | 0.47% | 0.13% |
| 10 year Govt | 1.74% | 1.67% |

It's over to the RBA this afternoon

Although they did manage to keep busy yesterday with a few bond purchases.

Following on from Friday's unscheduled purchases, the RBA has purchased AUD4 billion — twice the usual size of their purchases — and well beyond the 3 year tenor. It was a meaningful intervention, a very aggressive move, meant to indicate its lack of patience with those looking for higher yields.

And it worked with longer dated bonds down substantially as the 10 year yield dropped 25 bps to be at 1.68%. In a similar move, the NZ 10 year

yield fell 17 bps to 1.72% and the bund eased 7 bps to -0.34%, although the US 10 year yield firmed 4 points to 1.45%.

The Fed don't seem overly concerned, as Fed member, Thomas Barkin, stated *"If the driver of higher rates is vaccine and economic optimism, then it's a natural reaction."*

Against this, the ECB slowed the pace of their pandemic bond-buying last week with a mere EUR12 billion of net purchases under its emergency program, even as officials warned that a global rise in yields could derail the economic recovery, although it should be noted there was a higher than usual number of redemptions. As Governing Council member, Francois Villeroy, stated, *"Forward guidance could be strengthened to make tolerance for inflation overshoot explicit. So much as recent yield rise is unwarranted, ECB must react against it."*

Don't worry, Christine Lagarde has your back, stating *"the Pandemic is still weighing heavily on our economies."* You think?

Despite the action from the RBA, the AUD is a touch firmer on this morning's open at 0.7770, with the NZD/USD at 0.7265. A fair chunk of the AUD strength was in advance of the RBA bond buying, but both currencies also found support from international equity markets with bourses up 1.5-2.5% as confidence returned to markets, with investors shaking off concern about the impacts of higher Treasury yields.

US manufacturing expanded in February, at the fastest pace in three years, because factory activity increased to 60.8 from 58.7 a month earlier when materials costs accelerated the most since 2008 and with supply shortages challenging the industry. Meanwhile, US January construction spending rose +1.7% vs the +0.7% expected.

JP Morgan says the level of US yields now points to a rising US dollar as we *"have transitioned into a different regime for FX."* And, speaking of JP Morgan, CEO, Jamie Dimon, announced *"There's a very good chance there will be a gangbuster economy this year and next."*

Manipulating rare minerals ... who, moi?

In a move OPEC would be proud of, China's industry minister, Xiao Yaqing, warned the country's rare earths may be priced too low, and produced in excessive volumes.

This is not the first time China has threatened to reduce/withhold supply of the minerals. It's interesting that the comments came as an independent report by former Pentagon advisor, Jason Israel, who stated, that while China has vast amounts of 'rare earth' processing capabilities and mining, *"Australia has the sixth largest reserves, so it's very interested in how it could become more of a player."*



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Daily Rates

Tuesday 2 March 2021

| FX | Spot | FECs (mid) | | | | Spot Mid | |
|-------------------|-------------|------------|-----------|---------|---------|----------|-----------------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... |
| NZ TWI | 75.65 | | | | | CAD | 0.9204 0.9846 |
| NZD/USD | 0.7270 | 0.0000 | -0.0001 | -0.0004 | -0.0013 | CHF | 0.6655 0.7119 |
| NZD/AUD | 0.9347 | -0.0001 | -0.0004 | -0.0009 | -0.0022 | CNY | 4.7025 5.0310 |
| NZD/JPY | 77.65 | -0.03 | -0.09 | -0.20 | -0.52 | DKK | 4.4871 4.8005 |
| NZD/EUR | 0.6035 | -0.0005 | -0.0013 | -0.0027 | -0.0060 | FJD | 1.4792 1.5826 |
| NZD/GBP | 0.5248 | -0.0001 | -0.0002 | -0.0006 | -0.0016 | HKD | 5.6378 6.0317 |
| | | | | | | KRW | 813.48 870.31 |
| AU TWI | 63.90 | | | | | MYR | 2.9448 3.1505 |
| AUD/USD | 0.7777 | 0.0001 | 0.0003 | 0.0004 | 0.0004 | NOK | 6.2268 6.6618 |
| AUD/NZD | 1.0699 | 0.0001 | 0.0004 | 0.0010 | 0.0025 | SEK | 6.1325 6.5609 |
| AUD/JPY | 83.07 | -0.02 | -0.06 | -0.13 | -0.37 | SGD | 0.9651 1.0325 |
| AUD/EUR | 0.6456 | -0.0004 | -0.0011 | -0.0023 | -0.0050 | TWD | 20.26 21.67 |
| AUD/GBP | 0.5585 | 0.0000 | 0.0000 | -0.0001 | -0.0004 | ZAR | 10.8904 11.6512 |
| USD Index | 91.08 | | | | | | |
| EUR/USD | 1.2046 | 0.0010 | 0.0025 | 0.0049 | 0.0100 | | |
| USD/JPY | 106.82 | -0.04 | -0.11 | -0.22 | -0.54 | | |
| GBP/USD | 1.3925 | 0.0003 | 0.0005 | 0.0008 | 0.0019 | | |
| EUR/GBP | 0.8651 | 0.0005 | 0.0015 | 0.0030 | 0.0060 | | |
| 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 | 0.34% | 0.30% | 0.05% | 0.01% | | | |
| FRA 90d in 3mths | 0.32% | 0.29% | 0.08% | 0.03% | | | |
| FRA 180d in 6mths | 0.39% | 0.36% | 0.13% | 0.09% | | | |
| 1 year swap* | 0.35% | 0.32% | 0.07% | 0.06% | | | |
| 2 year swap* | 0.48% | 0.45% | 0.14% | 0.13% | | | |
| 3 year swap* | 0.68% | 0.66% | 0.29% | 0.28% | | | |
| 5 year swap* | 1.12% | 1.10% | 0.82% | 0.80% | | | |
| 10 year swap* | 1.87% | 1.84% | 1.75% | 1.73% | | | |
| 10 year Govt bond | | 1.72% | | 1.67% | | | |

* Semi-annual rate resets except AUD 1,2,3 year quarterly

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| EQUITIES | | Index |
|-----------|--|--------|
| NZX50 | | 12,302 |
| ASX200 | | 6,790 |
| Dow Jones | | 31,576 |
| S&P 500 | | 3,899 |
| FTSE100 | | 6,589 |
| DAX 30 | | 14,013 |
| Nikkei | | 29,664 |

| COMMODITIES | | USD |
|-------------|--|----------|
| Dubai Light | | 63.88 |
| Brent Crude | | 63.57 |
| Gold | | 1,725.20 |
| Silver | | 26.60 |
| CRB Index | | 200.66 |



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