

Market Alert

Friday 10 September 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7110	-0.0015
NZD/AUD	0.9652	-0.0030
NZD/JPY	78.01	-0.31
NZD/EUR	0.6013	-0.0037
NZD/GBP	0.5139	-0.0013
NZD/CNH	4.5866	0.0554
AUD/USD	0.7368	0.0007
AUD/EUR	0.6230	-0.0019
EUR/USD	1.1825	0.0047
USD/CNH	6.4499	0.0921
GBP/USD	1.3836	0.0005
EUR/GBP	0.8547	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.53%	0.02%
2 year swap	1.38%	0.23%
10 year Govt	1.98%	1.27%

"The lady isn't tapering"

Last night was all about the ECB and given the rhetoric of the last couple of weeks, it wasn't too much of a shock when it chose to leave monetary policy unchanged but opted to slow down the pace of net asset purchases under their PEPP programme; but, as ECB President, Christine Lagarde, stated *"The lady isn't tapering, it's a recalibration."*

ECB policymakers agreed to target monthly purchases of between EUR60 billion and EUR70 billion with some "flexibility" which is down from the current EUR80 billion. The ECB also raised its longer-term inflation projections to 2.2% in 2021, 1.7% in

2022, and 1.5% in 2023, with core inflation forecast at 1.3% in 2021, 1.4% in 2022, and 1.5% in 2023.

Apart from the ECB, the German trade surplus in July came in at EUR18.1 billion compared with a €19.2 billion surplus a year earlier. Exports jumped 12.4% and imports rose 16.6%.

In the US, initial claims declined to a new pandemic low of 310,000, which was significantly lower than the market forecasts of 335,000. Interestingly, this is the last reading before the expiration of the government pandemic unemployment aid of USD300 per week. Meanwhile Dallas Fed President, Robert Kaplan, stated he'd like to taper *"at the earliest opportunity,"* while Michelle Bowman added *"It's likely appropriate to begin tapering this year if the data comes in as expected."*

US and European bourses eased on growth concerns while the US dollar index eased 0.2%, which saw the commodity currencies firm, although the NZD outperforms with NZD/AUD hitting 0.9650. The T-bond eased to 1.30%.

China's August inflation numbers were rather benign with annualised CPI at 0.8%, when 1.0% was expected, but it was a different story with its input prices after PPI printed at 9.5% on the year when 'just' 9.0% was expected. This is interesting as economic theory dictates that PPI pressures should feed into CPI, but this doesn't seem to be the situation in China as it appears the higher costs are

being absorbed by producers. In addition, there was further bad news for Chinese property firm, Evergrande, with the latest reports suggesting Evergrande plan to suspend loan interest payments.

New Zealand manufacturing activity in Q2 saw quarterly volumes fall 0.1% although the volume for dairy and meat products, which are New Zealand's biggest export earners, increased 0.1%. A further positive was the upward revision of the Q1 volumes to 0.6% from 0.4%. Not so good, but to some extent perfectly understandable, the NZ Truckometer saw heavy traffic fall 18.1% on the month while the light traffic index fell 27.6%.

A survey from the UK's Recruitment and Employment Confederation, (REC), reports that employers are facing the most severe shortage of job candidates on record.

In a 'win' for some of the world's biggest banks, a US judge signalled he won't immediately terminate LIBOR, rejecting an effort by a group of borrowers who argued the benchmark is the product of a *"price fixing cartel."*

20 years on

RIP to those colleagues and friends who perished when the Twin Towers were attacked on 11 September 2001.

Stay safe, keep on smiling, and hey, let's be careful out there!



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	75.39					CAD	0.8996
NZD/USD	0.7110	0.0000	-0.0004	-0.0015	-0.0056	CHF	0.6517
NZD/AUD	0.9652	-0.0002	-0.0010	-0.0030	-0.0088	CNY	4.5895
NZD/JPY	78.01	-0.02	-0.11	-0.31	-0.91	DKK	4.4714
NZD/EUR	0.6013	-0.0004	-0.0014	-0.0037	-0.0093	FJD	1.4774
NZD/GBP	0.5139	0.0000	-0.0004	-0.0013	-0.0038	HKD	5.5301
						KRW	831.47
AU TWI	61.40					MYR	2.9503
AUD/USD	0.7368	0.0001	0.0003	0.0007	0.0010	NOK	6.1670
AUD/NZD	1.0361	0.0002	0.0011	0.0032	0.0095	SEK	6.1196
AUD/JPY	80.83	-0.01	-0.03	-0.08	-0.21	SGD	0.9547
AUD/EUR	0.6230	-0.0003	-0.0008	-0.0019	-0.0040	TWD	19.69
AUD/GBP	0.5325	0.0001	0.0002	0.0003	0.0009	ZAR	10.1012
							10.4659
USD Index	92.50					EQUITIES	
EUR/USD	1.1825	0.0007	0.0021	0.0047	0.0092		Index
USD/JPY	109.72	-0.03	-0.09	-0.21	-0.42	NZX50	13,096
GBP/USD	1.3836	0.0001	0.0002	0.0005	-0.0006	ASX200	7,370
EUR/GBP	0.8547	0.0005	0.0014	0.0030	0.0070	Dow Jones	34,881
						S&P 500	4,503
						FTSE100	7,024
						DAX 30	15,623
						Nikkei	30,008
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Borrow	Invest	Borrow	Invest		USD
30 day bank bills		0.35%	0.31%	-0.01%	0.02%	Dubai Light	70.40
90 day bank bills		0.55%	0.51%	0.04%	0.00%	Brent Crude	71.31
FRA 90d in 3mths		0.95%	0.91%	0.04%	0.01%	Gold	1,794.86
FRA 180d in 6mths		1.41%	1.38%	0.10%	0.09%	Silver	24.04
1 year swap		1.06%	1.04%	0.06%	0.04%	CRB Index	232.21
2 year swap		1.39%	1.37%	0.24%	0.21%		NZD
3 year swap		1.60%	1.57%	0.45%	0.43%	NZ Carbon	65.80
5 year swap		1.79%	1.76%	0.83%	0.76%		
10 year swap		2.07%	2.04%	1.39%	1.38%		
10 year Govt bond			1.96%		1.27%		

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