

Market Alert

Friday 17 September 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7076	-0.0019
NZD/AUD	0.9700	-0.0035
NZD/JPY	77.62	-0.36
NZD/EUR	0.6013	-0.0040
NZD/GBP	0.5131	-0.0016
NZD/CNH	4.5651	0.0556
AUD/USD	0.7294	0.0006
AUD/EUR	0.6198	-0.0019
EUR/USD	1.1768	0.0047
USD/CNH	6.4523	0.0961
GBP/USD	1.3793	0.0005
EUR/GBP	0.8532	0.0031

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.64%	0.02%
2 year swap	1.49%	0.21%
10 year Govt	1.89%	1.26%

While no-one enjoys a lockdown

Maybe it's what New Zealand needed, given its stellar performance in Q2 after GDP surged 2.8%!

This saw the New Zealand economy expand at more than twice the pace anticipated by the economists, who were forecasting a modest 1.1% gain, and while there will be the inevitable slowdown in Q3 given the lockdowns, the Q2 GDP print will essentially 'force' the governor to act on 6 October ... and the markets are buying into that with the probability

of a 50 bps hike increasing to 44% from just 16% earlier in the day.

Mind you, it's a different story in Australia where the employment release went off like an Australian-UK-US nuclear-powered submarine, and really made me question my maths! The number of employed Australians fell by 146,000 in August, compared with a forecast 80,000 decline, while the unemployment rate also fell to 4.5% from 4.6%. Wait a minute, – less people working but a lower unemployment rate? – Well, it's because more people left the labour force than left employment! The participation rate fell to 65.2% from 66.0% while the underemployed rate jumped 0.9% to a 9-month high of 9.3% which will continue to dampen wage inflation.

And yes, I have already heard my first parity call!

In the US overnight, the data was also strong, with retail sales unexpectedly rising 0.7% in August when the markets were forecasting a fall of 0.8%. The Philadelphia Fed manufacturing index rose to 30.7 which was above August's +19.4 and the +18.8 forecast. Unfortunately, unemployment benefits also rose, to 332,000 from last weeks pandemic low of 312,000, because of a combination of 'unfavourable seasonals' and a surge in delayed applications due to Hurricane Ida. Even with the stronger

data, the Atlanta Fed Q3 GDP tracker slipped to 3.6% from 3.7%.

It's all go in Europe with murmurings of an internal ECB inflation model that suggests eurozone interest rates could go up within two years, raising the prospect of earlier than expected rate rise. This saw the Euro spike 20 pips against the USD in the last hour. And speaking of the ECB, Christine Lagarde delivered a speech overnight stating the *"Recovery in the eurozone is faster than anticipated 6 months ago mostly due to a rapid vaccination campaign. We're back from the brink but we are not out of the woods yet."*

While ING is calling for a broad based RRR cut of 0.50 percentage points in October, it is worth noting that Monday sees the PBoC setting its 1 year and 5 year loan prime rates. As an FYI, these have remained unchanged for the last 16 months at 3.85% and at 4.65%

The Japanese Government also cut its economic outlook for the first time in 4 months amid surging COVID-19 cases, disrupted global supply chains and falling consumer confidence.

Asleep at the wheel

Ahead of tomorrows options and futures expiries, equity and commodity markets were mixed, with the USD firmer and the 10 year Treasury yield at 1.33%.

Stay safe, keep on smiling, and hey, let's be careful out there! There's not long to go now!



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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	75.28					CAD	0.8973	0.9251
NZD/USD	0.7076	0.0000	-0.0006	-0.0019	-0.0063	CHF	0.6558	0.6760
NZD/AUD	0.9700	-0.0002	-0.0012	-0.0035	-0.0098	CNY	4.5684	4.7097
NZD/JPY	77.62	-0.02	-0.13	-0.36	-0.99	DKK	4.4708	4.6090
NZD/EUR	0.6013	-0.0004	-0.0016	-0.0040	-0.0100	FJD	1.4835	1.5294
NZD/GBP	0.5131	-0.0001	-0.0005	-0.0016	-0.0043	HKD	5.5066	5.6769
						KRW	828.98	854.62
AU TWI	61.00					MYR	2.9591	3.0506
AUD/USD	0.7294	0.0001	0.0003	0.0006	0.0009	NOK	6.1066	6.2954
AUD/NZD	1.0309	0.0002	0.0013	0.0037	0.0105	SEK	6.1029	6.2916
AUD/JPY	80.01	-0.01	-0.03	-0.08	-0.21	SGD	0.9518	0.9812
AUD/EUR	0.6198	-0.0003	-0.0009	-0.0019	-0.0041	TWD	19.70	20.31
AUD/GBP	0.5288	0.0000	0.0001	0.0003	0.0009	ZAR	10.3272	10.6466
USD Index	92.88					EQUITIES		
EUR/USD	1.1768	0.0007	0.0021	0.0047	0.0092		Index	
USD/JPY	109.70	-0.03	-0.09	-0.21	-0.42	NZX50	13,080	
GBP/USD	1.3793	0.0001	0.0002	0.0005	-0.0008	ASX200	7,460	
EUR/GBP	0.8532	0.0005	0.0014	0.0031	0.0072	Dow Jones	34,755	
						S&P 500	4,479	
						FTSE100	7,027	
						DAX 30	15,652	
						Nikkei	30,323	
INTEREST RATES		New Zealand		Australia				
		Borrow	Invest	Borrow	Invest			
30 day bank bills		0.46%	0.42%	0.01%	0.01%			
90 day bank bills		0.66%	0.62%	0.04%	0.00%			
FRA 90d in 3mths		1.10%	1.07%	0.04%	0.01%			
FRA 180d in 6mths		1.47%	1.44%	0.11%	0.09%			
1 year swap		1.17%	1.15%	0.06%	0.05%			
2 year swap		1.50%	1.47%	0.22%	0.20%			
3 year swap		1.66%	1.64%	0.43%	0.42%			
5 year swap		1.82%	1.80%	0.84%	0.75%			
10 year swap		2.10%	2.08%	1.47%	1.46%			
10 year Govt bond			1.87%		1.26%			
						COMMODITIES		
							USD	
						Dubai Light	73.00	
						Brent Crude	75.68	
						Gold	1,754.29	
						Silver	22.94	
						CRB Index	238.02	
							NZD	
						NZ Carbon	64.00	

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