

Market Alert

Monday 20 September 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7035	-0.0019
NZD/AUD	0.9682	-0.0035
NZD/JPY	77.35	-0.36
NZD/EUR	0.5997	-0.0040
NZD/GBP	0.5120	-0.0016
NZD/CNH	4.5527	0.0541
AUD/USD	0.7266	0.0006
AUD/EUR	0.6194	-0.0019
EUR/USD	1.1731	0.0047
USD/CNH	6.4714	0.0947
GBP/USD	1.3747	0.0005
EUR/GBP	0.8533	0.0031

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.69%	0.01%
2 year swap	1.50%	0.22%
10 year Govt	1.93%	1.30%

Zzzzz – quiet week close

Saturday morning saw what was a quiet week close, well, quietly! There wasn't much in the way of headlines to end the week, but let's kick on, anyway ...

Friday evening saw the US University of Michigan consumer sentiment index edged up to 71 in September from August's decade-low of 70.3. The headline number was below market forecasts of 72 as consumers remain pessimistic as the gauge for current economic conditions continued to decline to 77.1 from 78.5.

Even more concerning, the US House will vote this week on raising the USD28 trillion debt ceiling amid a standoff between Democrats and Republicans leading Treasury Secretary, Janet Yellen, to renew her call for Congress to raise or suspend the debt ceiling as, *"the government will otherwise run out of money to pay its bills sometime in October."*

Meanwhile, in Europe at least three ECB policy makers have signalled they see euro-zone inflation potentially exceeding forecasts as the economy recovers and supply bottlenecks drive up input prices with the region already enduring 3.0% inflation as prices increase at the fastest pace in a decade.

Ultimately most equity markets turned into the red on Friday as stocks were hit on a mixture of global growth concerns, the lingering threat of COVID-19, a heightening of regulations on Chinese firms, and this week's central bank meetings. This saw the US dollar index firm to its highest since level since mid-August, which saw the NZD and AUD weaken, while bond yields firmed with the US 10 year treasury at 1.36% and the bund at -0.28%.

What about this week?

This week is all about tapering as we have central bank meetings from the Federal Reserve and Sweden's Riksbank

potentially signalling plans to pare back crisis stimulus. We also have Norway's Norges Bank, who are expected to beat Mr Orr to the punch and become the first of the world's top 10 traded currencies to raise interest rates since the onset of the pandemic, while Bank of England officials will probably keep their stance unchanged. The Bank of Japan are expected to announce details of their new green lending facility and the Swiss National Bank will likely keep their cash rate at -0.75% with the usual rhetoric bemoaning the strength of the franc.

Simply put, the Fed's decision showcases the quandary for central bank heads in determining whether economic growth is strong enough to dial back pandemic-era support and if the inflation pressures are strong enough to even require tightening!

However, there is one point that traders are overlooking in the tapering debate that is equally important ... the cutback of the federal government's budgetary support which is likely to have a much bigger impact on economic growth next year.

As the US expansion looks set to slow in the second half of 2021, fiscal measures that propped up the economy during the pandemic are starting to roll off and fade.

Finally, we also have the OECD updating their global economic forecasts mid-week.

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	75.01					CAD	0.8976	0.9270
NZD/USD	0.7035	0.0000	-0.0006	-0.0019	-0.0063	CHF	0.6557	0.6772
NZD/AUD	0.9682	-0.0002	-0.0012	-0.0035	-0.0097	CNY	4.5490	4.6984
NZD/JPY	77.35	-0.02	-0.13	-0.36	-0.98	DKK	4.4592	4.6057
NZD/EUR	0.5997	-0.0004	-0.0016	-0.0040	-0.0099	FJD	1.4689	1.5172
NZD/GBP	0.5120	-0.0001	-0.0005	-0.0016	-0.0043	HKD	5.4756	5.6554
						KRW	827.59	854.77
AU TWI	61.00					MYR	2.9552	3.0522
AUD/USD	0.7266	0.0001	0.0003	0.0006	0.0008	NOK	6.1207	6.3217
AUD/NZD	1.0328	0.0002	0.0013	0.0037	0.0104	SEK	6.1018	6.3022
AUD/JPY	79.90	-0.01	-0.03	-0.08	-0.22	SGD	0.9489	0.9800
AUD/EUR	0.6194	-0.0003	-0.0009	-0.0019	-0.0041	TWD	19.60	20.24
AUD/GBP	0.5286	0.0000	0.0001	0.0003	0.0009	ZAR	10.3733	10.7140
USD Index	93.20					EQUITIES		
EUR/USD	1.1731	0.0007	0.0021	0.0047	0.0092		Index	
USD/JPY	109.97	-0.03	-0.09	-0.21	-0.42	NZX50	13,235	
GBP/USD	1.3747	0.0001	0.0002	0.0005	-0.0008	ASX200	7,404	
EUR/GBP	0.8533	0.0005	0.0014	0.0031	0.0072	Dow Jones	34,585	
						S&P 500	4,433	
						FTSE100	6,964	
						DAX 30	15,490	
						Nikkei	30,500	
						COMMODITIES		
							USD	
						Dubai Light	72.32	
						Brent Crude	75.34	
						Gold	1,753.85	
						Silver	22.35	
						CRB Index	236.08	
							NZD	
						NZ Carbon	64.00	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.48%	0.44%	0.00%	0.02%
90 day bank bills	0.71%	0.68%	0.03%	-0.01%
FRA 90d in 3mths	1.11%	1.08%	0.04%	0.01%
FRA 180d in 6mths	1.49%	1.46%	0.12%	0.10%
1 year swap	1.16%	1.14%	0.06%	0.05%
2 year swap	1.52%	1.49%	0.23%	0.20%
3 year swap	1.68%	1.65%	0.45%	0.43%
5 year swap	1.84%	1.80%	0.86%	0.76%
10 year swap	2.13%	2.10%	1.49%	1.48%
10 year Govt bond		1.91%		1.30%

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