

Market Alert

Wednesday 8 September 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7096	-0.0015
NZD/AUD	0.9609	-0.0030
NZD/JPY	78.27	-0.31
NZD/EUR	0.5994	-0.0036
NZD/GBP	0.5149	-0.0013
NZD/CNH	4.5846	0.0547
AUD/USD	0.7385	0.0007
AUD/EUR	0.6238	-0.0018
EUR/USD	1.1839	0.0046
USD/CNH	6.4614	0.0910
GBP/USD	1.3782	0.0005
EUR/GBP	0.8590	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.52%	0.01%
2 year swap	1.38%	0.23%
10 year Govt	2.01%	1.26%

A subtle change in direction?

Following on from Fridays thinly veiled 'consultative document' titled "Tightening Loan-to-value Ratio Restrictions" which will come into effect on 1 October, the RBNZ Governor, Adrian Orr, said "As outlined in our latest MPS, our economy had rebounded more strongly than most countries. Recent data for the New Zealand economy suggested demand had been robust and the economic recovery had broadened. The recent lockdown, however, highlights how unpredictable and disruptive the virus can be."

The MPC's decision to keep the OCR on hold at 0.25% "was made in the context of the

government's decision to impose Alert Level 4 across the country."

So, with higher LVR restrictions from October just needing to be rubber stamped, and a COVID-19 outbreak incorporating a never ending lockdown, is it time to review those OCR projections?

In other New Zealand news, the GDT auction had its best performance in months with the overall index up 4.0%, while the individual products all posted gains of over 3.0% with WMP rallying 3.3% and butter up 3.6%.

In an entirely predictable move, the RBA left "the cash rate target at 10 basis points and maintained the target of 10 basis points for the April 2024 Australian Government bond." It also stood its ground maintaining "purchases of government securities at the rate of AUD4 billion a week, and to continue the purchases at this rate until at least mid-February 2022," which is an extension on the previous expiry date of November 2021. And just in case everyone wasn't aware, the RBA "will not increase the cash rate until actual inflation is sustainably within the 2.0-3.0% target range. The central scenario for the economy is that this condition will not be met before 2024."

In other Australian news, the Australian AiG Services PMI for August dropped to 45.6 from July's 51.7.

China produced a USD58.3 billion trade surplus in August, which was far better than the USD51.0 billion forecast

and July's USD56.6 billion, although in Yuan terms, the headline number was below expectations implying that the strengthening USD/CNY supported the 'outperformance'.

Exports grew at 25.6% on the year while imports outperformed at 33.1%, suggesting the domestic economy may be performing better than has been indicated by the recent run of data.

In other news, the German ZEW sentiment survey declined to 26.5 in September from 40.4 in August, and below market forecasts of 30, while the British pound depreciated after Prime Minister, Boris Johnson, set out plans to raise taxes to pay for social care costs and the NHS.

To conclude

After Monday's public holiday, North American traders returned with a vengeance. The US dollar maintained its strength as the 10 year treasury firmed to 1.37%, while the AUD underperformed after the RBA decided to extend its bond buying from November 2021 to February 2022, which also dragged the NZD/USD below the 0.7095 level.

Equity and commodity markets were also weaker across the board on recovery concerns with iron ore falling to a nine month low.

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	75.24					CAD	0.8976
NZD/USD	0.7096	0.0000	-0.0004	-0.0015	-0.0055	CHF	0.6526
NZD/AUD	0.9609	-0.0002	-0.0010	-0.0030	-0.0087	CNY	4.5885
NZD/JPY	78.27	-0.02	-0.11	-0.31	-0.91	DKK	4.4565
NZD/EUR	0.5994	-0.0004	-0.0014	-0.0036	-0.0092	FJD	1.4778
NZD/GBP	0.5149	0.0000	-0.0004	-0.0013	-0.0039	HKD	5.5169
						KRW	821.50
AU TWI	61.80					MYR	2.9595
AUD/USD	0.7385	0.0001	0.0003	0.0007	0.0010	NOK	6.1609
AUD/NZD	1.0407	0.0002	0.0011	0.0032	0.0096	SEK	6.0991
AUD/JPY	81.46	-0.01	-0.03	-0.07	-0.21	SGD	0.9552
AUD/EUR	0.6238	-0.0003	-0.0008	-0.0018	-0.0039	TWD	19.66
AUD/GBP	0.5358	0.0001	0.0002	0.0003	0.0008	ZAR	10.1563
							10.5701
USD Index	92.54						
EUR/USD	1.1839	0.0008	0.0021	0.0046	0.0091	EQUITIES	
USD/JPY	110.32	-0.03	-0.09	-0.21	-0.43		Index
GBP/USD	1.3782	0.0001	0.0002	0.0005	-0.0003	NZX50	13,322
EUR/GBP	0.8590	0.0005	0.0014	0.0030	0.0068	ASX200	7,530
						Dow Jones	35,106
						S&P 500	4,522
						FTSE100	7,149
						DAX 30	15,843
						Nikkei	29,916
						COMMODITIES	
							USD
						Dubai Light	70.17
						Brent Crude	71.63
						Gold	1,793.57
						Silver	24.31
						CRB Index	231.61

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.35%	0.31%	-0.01%	0.01%
90 day bank bills	0.54%	0.50%	0.03%	-0.01%
FRA 90d in 3mths	0.89%	0.87%	0.04%	0.01%
FRA 180d in 6mths	1.40%	1.37%	0.09%	0.08%
1 year swap	1.05%	1.03%	0.06%	0.04%
2 year swap	1.39%	1.36%	0.24%	0.22%
3 year swap	1.59%	1.57%	0.45%	0.44%
5 year swap	1.79%	1.77%	0.86%	0.77%
10 year swap	2.09%	2.07%	1.44%	1.43%
10 year Govt bond		1.99%		1.26%

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