

Market Alert

Thursday 21 October 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7205	-0.0023
NZD/AUD	0.9578	-0.0038
NZD/JPY	82.33	-0.42
NZD/EUR	0.6182	-0.0045
NZD/GBP	0.5209	-0.0010
NZD/CNH	4.6066	0.0524
AUD/USD	0.7523	0.0005
AUD/EUR	0.6455	-0.0022
EUR/USD	1.1654	0.0048
USD/CNH	6.3937	0.0936
GBP/USD	1.3832	-0.0018
EUR/GBP	0.8425	0.0046

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.76%	0.04%
2 year swap	1.92%	0.55%
10 year Govt	2.45%	1.81%

Summarising all the releases

Last night was relatively light on the US data front with the highlight being the Beige Book which showed the US economy is expanding at a “modest to moderate rate.”

Some districts noted growth slowed citing supply constraints and concerns over the COVID-19 Delta variant impacting activity, with price increases predominately driven by supply-chain bottlenecks as, “Most Districts reported significantly elevated prices, fuelled by rising demand for goods and raw materials.”

Interestingly, “Firms reported high (staff) turnover, as workers left for other jobs or retired,” while “Childcare issues and vaccine mandates were widely cited as contributing to the problem.”

UK September CPI came in slightly below expectations at +0.3% on the month and +3.1% on the year, although the region’s retail price index exceeded expectation as prices soared +0.4% on the month and +4.9% on the year!

It was a similar story in the Eurozone where CPI prints were bang-in-line with expectations at +0.5% on the month and +3.4% on the year, although pressures are building in the pipe after German PPI’s surged +2.3% on the month and a staggering +14.2% on the year.

So, to summarise the data, supply chain issues, mandatory vaccine mandates, retaining staff, and inflation remain issues across the globe, but aren’t they lucky to get important data monthly basis rather than quarterly!

Dairy futures took advantage of yesterday’s positive GDT auction with the 2021/22 contract firming to NZD8.62 while next season is at NZD8.20.

Helge Berger, the IMF’s China mission chief, announced that the “Evergrande risk to China is contained, although China is accumulating downside risks.” She then added, “China’s government has the tools to contain risks (and) deleveraging in China is a positive, but they need to take care. (China)

needs to find ways to ease pressure in the power sector. Current drivers of the higher PPI are global commodities. CPI is not so big a problem as consumption is still weak (although China) should consider easing in 2022 if growth slows.”

The PBoC left their Prime Loan Rates unchanged, as they have for the past 18 months, at 3.85% for 1-year and 4.65% for 5-years. In other news, new home prices fell -0.08% in the month of September in what was its first fall since April 2015, with just 27 of 70 major cities seeing new house prices rise. In the secondary market prices fell for the second consecutive month. In other news, China’s most active thermal and coking coal futures were limit down after China’s state planner threatened to intervene in the coal markets, China suspended its imports from yet another Australian Meatworks, while China’s Vice Commerce Minister announced they will introduce measures to boost domestic consumption.

And what it means ...

... is risk-on and the USD has no friends! Equities markets took the inflationary pressures in their stride as most bourses firmed, as did commodities. Bonds were steady with the T-bond at 1.635%, while the USD had that sinking feeling yet again as the NZD and AUD hit intra-cycle highs.

Stay safe, keep the broly handy, 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	76.26					CAD	0.8875	0.9266
NZD/USD	0.7205	-0.0002	-0.0009	-0.0023	-0.0076	CHF	0.6621	0.6913
NZD/AUD	0.9578	-0.0004	-0.0017	-0.0038	-0.0106	CNY	4.6065	4.8095
NZD/JPY	82.33	-0.04	-0.18	-0.42	-1.24	DKK	4.6003	4.8029
NZD/EUR	0.6182	-0.0005	-0.0022	-0.0045	-0.0118	FJD	1.4850	1.5504
NZD/GBP	0.5209	-0.0001	-0.0006	-0.0010	-0.0030	HKD	5.6014	5.8482
						KRW	846.19	883.47
AU TWI	62.80					MYR	2.9814	3.1127
AUD/USD	0.7523	0.0001	0.0004	0.0005	0.0004	NOK	5.9890	6.2528
AUD/NZD	1.0441	0.0004	0.0018	0.0041	0.0117	SEK	6.1850	6.4575
AUD/JPY	85.96	-0.01	-0.04	-0.10	-0.35	SGD	0.9677	1.0103
AUD/EUR	0.6455	-0.0003	-0.0011	-0.0022	-0.0052	TWD	19.98	20.86
AUD/GBP	0.5439	0.0001	0.0003	0.0011	0.0029	ZAR	10.3511	10.8072
USD Index	93.55					EQUITIES		
EUR/USD	1.1654	0.0007	0.0027	0.0048	0.0101		Index	
USD/JPY	114.27	-0.02	-0.11	-0.22	-0.52	NZX50	13,114	
GBP/USD	1.3832	0.0000	-0.0001	-0.0018	-0.0067	ASX200	7,414	
EUR/GBP	0.8425	0.0005	0.0020	0.0046	0.0114	Dow Jones	35,623	
						S&P 500	4,535	
						FTSE100	7,223	
						DAX 30	15,523	
						Nikkei	29,256	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.60%	0.56%	0.01%	0.02%	Dubai Light	81.69	
90 day bank bills		0.79%	0.75%	0.06%	0.02%	Brent Crude	85.79	
FRA 90d in 3mths		1.26%	1.17%	0.13%	0.10%	Gold	1,784.87	
FRA 180d in 6mths		1.92%	1.88%	0.37%	0.35%	Silver	24.37	
1 year swap		1.45%	1.42%	0.20%	0.19%	CRB Index	253.24	
2 year swap		1.94%	1.91%	0.56%	0.54%		NZD	
3 year swap		2.15%	2.12%	0.88%	0.87%	NZ Carbon	64.50	
5 year swap		2.32%	2.29%	1.31%	1.26%			
10 year swap		2.53%	2.51%	1.90%	1.89%			
10 year Govt bond			2.43%		1.81%			

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