

Market Alert

Friday 22 October 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7148	-0.0024
NZD/AUD	0.9575	-0.0038
NZD/JPY	81.39	-0.43
NZD/EUR	0.6149	-0.0046
NZD/GBP	0.5185	-0.0011
NZD/CNH	4.5716	0.0519
AUD/USD	0.7465	0.0005
AUD/EUR	0.6421	-0.0023
EUR/USD	1.1626	0.0049
USD/CNH	6.3956	0.0945
GBP/USD	1.3787	-0.0016
EUR/GBP	0.8433	0.0045

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.74%	0.04%
2 year swap	1.94%	0.59%
10 year Govt	2.50%	1.79%

It's national nude gardening day, today ...

... so stay safe, watch where you put the clippers, and hey, let's be careful out there!

The overnight data was light with US initial claims falling to a 19 month low at 290,000, weaker than the 300,000 that was expected, while US existing home sales surged 7.0% from August's 2.0% contraction. We also saw the Federal Reserve unsurprisingly ban stock trading by policymakers and senior staff. Meanwhile Moody's suggest the US supply chain stresses are intensifying and could slow the economy in the coming months.

Fed member, Christopher Waller, announced "Inflation is the Fed's biggest upside risk (although) the next five months are critical for seeing whether inflation is transitory. There should be no big market shock when tapering begins as tapering fits with US economic outlook."

Meanwhile, European confidence took a kicking after consumer confidence in the Eurozone fell to -4.8% in October 2021, from September's -4.0%, while the zone's 2020 government debt to GDP ratio eased to 97.3% from 98.0%.

The UK and NZ have reached an in principle free trade agreement that is potentially worth up to GBP2.3bn a year. The deal should boost New Zealand's GDP by around NZD970m, or 0.3%, however, last year's analysis found that its effect on Britain's GDP would probably have a "limited effect ... in the long run" impacting UK growth between +0.01% and -0.01%. Furthermore, the agreement includes a commitment by both countries to "identify appropriate ways to advance recognition and protection of the haka, 'Ka Mate.'"

As a contradiction to COVID-19, while the number of cases goes up in New Zealand, credit card spending plummets with the annual spend to September falling 12.9% compared to August's 6.3% contraction. Australian Q2 business confidence dropped to -1 from 18.

In the pre-European open, the Asian markets continued the 'risk-on-theme' that had prevailed over the past fortnight,

but as shares of the Chinese property group Evergrande slid as much as 14% on its open after it was announced it had scrapped a deal to sell a 50.1% stake in its Property Services division for USD2.6 billion, the AUD and the NZD retreated from their intra-day highs as risks of a Chinese slowdown dented the 'commodity' currencies.

This easing continued throughout the overnight session as these concerns weighed on markets sentiment with equities mixed. Commodity prices were also mixed as crude oil, which had risen to a 3 year high above USD86.00, gave up those gains to close down on the day. In amongst this, the 10 year treasury yield firmed to 1.67%.

Japanese risks

Japan's industry ministry warned of the tightest electricity supply/demand balance in a decade, which may go some way to explaining the fall in the JPY as surging coal and natural gas prices are seen to impact the currency. Japan imports 100% of its coal and 98% of its crude oil and natural gas and these three fossil fuels generate 76% of Japan's electricity.

The PBoC announced it will be monitoring financial risks and providing monetary support for the domestic economy. Interesting timing given China's Communist Party is set to convene for meetings on 8 November.



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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	75.84					CAD	0.8847	0.9240
NZD/USD	0.7148	-0.0003	-0.0009	-0.0024	-0.0076	CHF	0.6563	0.6855
NZD/AUD	0.9575	-0.0005	-0.0018	-0.0038	-0.0105	CNY	4.5706	4.7737
NZD/JPY	81.39	-0.05	-0.19	-0.43	-1.25	DKK	4.5747	4.7780
NZD/EUR	0.6149	-0.0006	-0.0022	-0.0046	-0.0118	FJD	1.4835	1.5494
NZD/GBP	0.5185	-0.0002	-0.0007	-0.0011	-0.0032	HKD	5.5569	5.8038
						KRW	841.58	878.98
AU TWI	62.80					MYR	2.9816	3.1141
AUD/USD	0.7465	0.0001	0.0004	0.0005	0.0003	NOK	5.9774	6.2430
AUD/NZD	1.0444	0.0005	0.0019	0.0042	0.0116	SEK	6.1506	6.4239
AUD/JPY	85.01	-0.01	-0.04	-0.11	-0.37	SGD	0.9633	1.0061
AUD/EUR	0.6421	-0.0003	-0.0011	-0.0023	-0.0053	TWD	19.90	20.79
AUD/GBP	0.5415	0.0001	0.0003	0.0010	0.0026	ZAR	10.4835	10.9493
USD Index	93.76					EQUITIES		
EUR/USD	1.1626	0.0007	0.0026	0.0049	0.0102		Index	
USD/JPY	113.88	-0.02	-0.11	-0.22	-0.55	NZX50	13,126	
GBP/USD	1.3787	0.0000	0.0000	-0.0016	-0.0061	ASX200	7,415	
EUR/GBP	0.8433	0.0005	0.0019	0.0045	0.0112	Dow Jones	35,507	
						S&P 500	4,536	
						FTSE100	7,190	
						DAX 30	15,473	
						Nikkei	28,709	
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	82.39	
90 day bank bills		0.76%	0.72%	0.06%	0.02%	Brent Crude	84.68	
FRA 90d in 3mths		1.19%	1.17%	0.16%	0.13%	Gold	1,781.21	
FRA 180d in 6mths		1.91%	1.88%	0.42%	0.40%	Silver	24.09	
1 year swap		1.45%	1.43%	0.23%	0.21%	CRB Index	255.47	
2 year swap		1.95%	1.93%	0.60%	0.58%		NZD	
3 year swap		2.17%	2.15%	0.90%	0.89%	NZ Carbon	65.00	
5 year swap		2.36%	2.34%	1.31%	1.30%			
10 year swap		2.59%	2.57%	1.95%	1.94%			
10 year Govt bond			2.48%		1.79%			

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