

Market Alert

Thursday 4 November 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7151	-0.0028
NZD/AUD	0.9604	-0.0043
NZD/JPY	81.51	-0.50
NZD/EUR	0.6161	-0.0050
NZD/GBP	0.5228	-0.0015
NZD/CNH	4.5732	0.0462
AUD/USD	0.7446	0.0004
AUD/EUR	0.6415	-0.0024
EUR/USD	1.1606	0.0049
USD/CNH	6.3974	0.0904
GBP/USD	1.3678	-0.0015
EUR/GBP	0.8485	0.0046

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.82%	0.05%
2 year swap	2.26%	0.86%
10 year Govt	2.56%	1.85%

As had been widely expected

This Fed this morning announced that it will start its tapering programme this month by cutting their Treasury purchases by USD10 billion per month and their mortgage backed securities by USD5 billion, with an 8 month time frame to zero out their asset purchases, implying a June 2022 end although the Fed *“is prepared to adjust the pace of purchases if warranted by changes in the economic outlook.”*

In the statement, the Fed also added two new mentions of supply challenges that weren't there in the September minutes, further emphasising the impact of

bottlenecks on the economic recovery as, *“Supply and demand imbalances related to the pandemic and the reopening of the economy have contributed to sizable price increases in some sectors,”* although they maintained their transitory line as, *“Inflation is elevated, largely reflecting factors that are expected to be transitory.”*

Interestingly, prior to the Fed announcement, the ISM services PMI jumped to a record 66.7 high in October, beating market forecasts of 62, in what was the 4th new high this year as strong demand, supply chain disruptions, and shortages of labour and materials continue to impact. Meanwhile, the ADP employment numbers exceeded expectations with 571,000 workers added.

ECB President, Christine Lagarde, announced, *“The outlook for inflation over the medium term remains subdued and therefore the ECB is very unlikely to raise interest rates next year.”*

The NZ Q3 unemployment rate plummeted to just 3.4%, down from its previous +4.0% while the participation rate surged to 71.2% from 70.5%. Meanwhile, the RBNZ's *Financial Stability Report* suggested asset prices are facing headwinds from rising global interest rates and, quite possibly to counter this, the RBNZ will consult on the merits of implementing debt servicing restrictions, while they will also increase the minimum core funding ratio requirements of the local banks to 75% in January 2022.

Finally, yesterday's strong GDT auction translated into higher futures pricing with prices in both the 2022 and 2023 seasons firming to NZD8.82 and NZD8.30 while the 2024 season settled at NZD7.40

The Australian Markit services PMIs eased to 51.8 against the 52.0 expected while the composite headlined at 52.1 against the forecast 52.2. The AiG construction PMI for October also surged from 53.3 to 57.6, although September building approvals fell -4.3%. The RBA Governor, Philip Lowe, also spoke post the RBA meeting stating, *“Inflation at the end of 2023 at 2.5% does not justify higher interest rates. If we can sustain an unemployment rate in the low-fours, firms will have to compete more aggressively for labour offering higher wages.”* He then added, *“the solution to high home prices isn't raising interest rates”*... did you hear that, Mr. Orr?

The Chinese Caixin/Markit PMI for October saw the services component increase to 53.8, while Chinese authorities urge families to stockpile daily necessities as they head into winter amid rising COVID-19 cases.

Stocks and the US-dollar fluctuated after the Federal Reserve's tapering plan matched market expectations while treasuries fell. Ultimately the NZD and AUD firmed after their recent bout of weakness, while the T-bond firmed to 1.58%

Stay safe, well done Martin Guptill, and hey, let's be careful out there!



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Daily Rates

Thursday 4 November 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.97					CAD	0.8862	0.9227
NZD/USD	0.7151	-0.0003	-0.0011	-0.0028	-0.0086	CHF	0.6517	0.6785
NZD/AUD	0.9604	-0.0005	-0.0020	-0.0043	-0.0108	CNY	4.5801	4.7690
NZD/JPY	81.51	-0.05	-0.22	-0.50	-1.43	DKK	4.5826	4.7716
NZD/EUR	0.6161	-0.0006	-0.0024	-0.0050	-0.0129	FJD	1.4829	1.5441
NZD/GBP	0.5228	-0.0002	-0.0008	-0.0015	-0.0039	HKD	5.5658	5.7952
						KRW	844.70	879.53
AU TWI	62.30					MYR	2.9635	3.0857
AUD/USD	0.7446	0.0001	0.0004	0.0004	-0.0006	NOK	6.0822	6.3329
AUD/NZD	1.0412	0.0005	0.0021	0.0047	0.0118	SEK	6.1059	6.3576
AUD/JPY	84.87	0.00	-0.06	-0.14	-0.54	SGD	0.9644	1.0041
AUD/EUR	0.6415	-0.0003	-0.0012	-0.0024	-0.0063	TWD	19.88	20.70
AUD/GBP	0.5444	0.0001	0.0003	0.0009	0.0020	ZAR	10.9213	11.3716
USD Index	93.84					EQUITIES		
EUR/USD	1.1606	0.0007	0.0027	0.0049	0.0106		Index	
USD/JPY	114.00	-0.02	-0.14	-0.25	-0.64	NZX50	12,994	
GBP/USD	1.3678	0.0000	0.0001	-0.0015	-0.0062	ASX200	7,393	
EUR/GBP	0.8485	0.0005	0.0020	0.0046	0.0117	Dow Jones	36,119	
						S&P 500	4,645	
						FTSE100	7,249	
						DAX 30	15,960	
						Nikkei	29,521	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.73%	0.69%	0.01%	0.03%	Dubai Light	81.38	
90 day bank bills		0.84%	0.80%	0.07%	0.03%	Brent Crude	81.62	
FRA 90d in 3mths		1.30%	1.27%	0.16%	0.13%	Gold	1,772.04	
FRA 180d in 6mths		2.11%	2.08%	0.56%	0.54%	Silver	23.47	
1 year swap		1.55%	1.53%	0.31%	0.29%	CRB Index	254.26	
2 year swap		2.27%	2.25%	0.86%	0.85%		NZD	
3 year swap		2.49%	2.47%	1.21%	1.19%	NZ Carbon	65.25	
5 year swap		2.58%	2.56%	1.54%	1.52%			
10 year swap		2.65%	2.63%	2.03%	2.02%			
10 year Govt bond			2.54%		1.85%			

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