

# Market Alert

Tuesday 31 August 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7002	-0.0013
NZD/AUD	0.9596	-0.0027
NZD/JPY	76.93	-0.30
NZD/EUR	0.5933	-0.0034
NZD/GBP	0.5087	-0.0012
NZD/CNH	4.5264	0.0542
AUD/USD	0.7297	0.0007
AUD/EUR	0.6183	-0.0018
EUR/USD	1.1800	0.0047
USD/CNH	6.4653	0.0896
GBP/USD	1.3763	0.0007
EUR/GBP	0.8574	0.0030

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.46%	0.01%
2 year swap	1.29%	0.21%
10 year Govt	1.83%	1.16%

## Where did I leave my ark, Noah?

The UK holiday drained a lot of liquidity from the FX markets, which led to a quiet session with the NZD and AUD unchanged, although equity and commodity markets continued their upward trajectories. Bond market yields eased with the US 10-year at 1.28% and the bund at -0.44%.

Pending US home sales dipped -8.5% in July on an annualised basis, the second consecutive month of decline following June's -1.8%. Then Fed member, Loretta

Mester, announced that she "thinks growth will remain strong but the big risk is COVID-19 Delta," while former Richmond Fed President Jeffery Lacker stated "we have inflation on a six-month basis higher than it's been since 1983. The Fed will have to nudge up its expected path of rates"

The Euro Area economic sentiment indicator dropped to 117.5 in August, from July's all-time high of 119.0, while German preliminary CPI accelerated to a 27 year high with harmonised gains at +0.1% on the month and +3.4% on the year. ECB Council member, Francois Villeroy de Galhau, was also on the news wires hinting at a slowdown in the pace of their emergency bond-buying programme as "On monthly volumes, we are looking at the favourable financing conditions, and we should underline that they are more favourable than at our June meeting."

Australian Q2 inventories were a big miss at just +0.2% against an expected 1.2%, while Virgin Australia will require all staff to be vaccinated against COVID-19, when they eventually start flying.

The RBNZ released an analytical note on the impact of hiking mortgage rates titled, 'Mortgage rates move with official interest rates, but it takes time' or 'How I Learned to Stop Worrying and Love the Bomb Housing Market.' (Who shall we get to play Dr. Strangelove?) Anyway, according to the RBNZ, "The pass-through from changes in

monetary policy increases over time, with the peak impact on mortgage rates about six months after the change in the OCR. At that point about 0.80% (percentage points) of the initial 1% change in the OCR is typically passed through in higher mortgage rates."

Goldman Sachs expects the Fed to begin its taper programme to start in December before concluding in September 2022, implying a weaker USD as "Shifting Fed expectations have supported the dollar over the last two months, but with tapering now largely priced in, and the currency stronger as a result, following through with the process should not drive the Dollar higher from this point forward." This goes against BoA who are forecasting USD/JPY to rally to 116 by year-end. Well, one of them has to be right! Mind you, one of the local banks has joined the party stating the NZD/USD is under valued, forecasting it "should end the year higher and closer to 75-to-77c."

## Hold the front page

The price of Arabica coffee has surged in the aftermath of Hurricane Ida as supply-chain snags, adverse weather, and beleaguered crops in Brazil impact supply. Sugar also rallied but that's not an issue as I don't have it in my coffee.

Stay safe, keep on smiling, stay dry, and hey, let's be careful out there!



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# Daily Rates

Tuesday 31 August 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.42					CAD	0.8828	0.9200
NZD/USD	0.7002	0.0000	-0.0003	-0.0013	-0.0049	CHF	0.6420	0.6690
NZD/AUD	0.9596	-0.0002	-0.0009	-0.0027	-0.0080	CNY	4.5274	4.7182
NZD/JPY	76.93	-0.02	-0.11	-0.30	-0.85	DKK	4.4121	4.5980
NZD/EUR	0.5933	-0.0004	-0.0013	-0.0034	-0.0087	FJD	1.4659	1.5277
NZD/GBP	0.5087	0.0000	-0.0003	-0.0012	-0.0035	HKD	5.4527	5.6826
						KRW	816.64	851.07
AU TWI	61.00					MYR	2.9120	3.0348
AUD/USD	0.7297	0.0001	0.0003	0.0007	0.0010	NOK	6.0642	6.3198
AUD/NZD	1.0422	0.0002	0.0010	0.0030	0.0088	SEK	6.0378	6.2923
AUD/JPY	80.18	-0.01	-0.04	-0.09	-0.22	SGD	0.9415	0.9811
AUD/EUR	0.6183	-0.0003	-0.0008	-0.0018	-0.0040	TWD	19.44	20.26
AUD/GBP	0.5302	0.0000	0.0001	0.0003	0.0008	ZAR	10.2603	10.6928
USD Index	92.68							
EUR/USD	1.1800	0.0007	0.0021	0.0047	0.0093	<b>EQUITIES</b>		
USD/JPY	109.89	-0.03	-0.10	-0.23	-0.44			<b>Index</b>
GBP/USD	1.3763	0.0001	0.0002	0.0007	-0.0002	NZX50		13,181
EUR/GBP	0.8574	0.0004	0.0014	0.0030	0.0068	ASX200		7,505
						Dow Jones		35,417
						S&P 500		4,533
						FTSE100		7,148
						DAX 30		15,887
						Nikkei		27,789
						<b>COMMODITIES</b>		
								<b>USD</b>
						Dubai Light		69.14
						Brent Crude		73.29
						Gold		1,810.57
						Silver		24.02
						CRB Index		233.32

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.30%	0.26%	0.00%	0.02%
90 day bank bills	0.48%	0.44%	0.03%	-0.01%
FRA 90d in 3mths	0.86%	0.83%	0.04%	0.01%
FRA 180d in 6mths	1.29%	1.26%	0.09%	0.08%
1 year swap	0.98%	0.96%	0.07%	0.03%
2 year swap	1.31%	1.28%	0.23%	0.20%
3 year swap	1.47%	1.45%	0.43%	0.39%
5 year swap	1.66%	1.64%	0.79%	0.69%
10 year swap	1.97%	1.95%	1.32%	1.31%
10 year Govt bond		1.81%		1.16%

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