

Market Alert

Wednesday 15 September 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7091	-0.0015
NZD/AUD	0.9687	-0.0030
NZD/JPY	77.73	-0.32
NZD/EUR	0.6006	-0.0037
NZD/GBP	0.5135	-0.0013
NZD/CNH	4.5643	0.0567
AUD/USD	0.7319	0.0006
AUD/EUR	0.6200	-0.0019
EUR/USD	1.1806	0.0046
USD/CNH	6.4367	0.0942
GBP/USD	1.3808	0.0005
EUR/GBP	0.8550	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.53%	0.02%
2 year swap	1.39%	0.20%
10 year Govt	1.93%	1.25%

Maybe Powell was right

And inflation is transitory!

The US CPI rate edged down to +0.3% on the month, which was the smallest gain in 7 months, and 5.3% for the year to August, which was down from July's +0.5% and +5.4%. While the headline prints were below market expectations, the core rate, which excludes volatile items such as food and energy, were even weaker than expected at +0.1% and +4.0%, suggesting that inflation has possibly peaked.

This saw treasuries rally because the less-than-forecast increase in inflation was seen as giving Federal Reserve

officials more flexibility when it comes to pulling back on stimulus, and that saw the 10 year treasury yield fall 5 basis points to 1.28%. Meanwhile the USD firmed a touch which saw the NZD and AUD weaken slightly. International equities also declined.

Part of the reason for the AUD weakness was a speech by the RBA Governor, Philip Lowe, in which he announced the *"Delta outbreak has delayed, but not derailed the economic recovery."* He then reverted to trend, reiterating that the *"cash rate is unlikely to rise before 2024 given sluggish wage growth. Getting faster wage growth would benefit everyone in Australia. It's difficult to understand why markets pricing in hikes for 2022 and 2023. Rates might rise in other countries, but our domestic factors are different."*

Looking at the facts, with the Australian Q2 house price index up +6.7% on the quarter and +16.8% on the year, while New Zealand house prices rose +2.5% in the month of August and +27.5% on the year, it is very interesting to compare the two different approaches of the central bank governors in Australia and New Zealand. And, I almost forgot, Australian business confidence improved in August to -5 from -8 while business conditions increased to 14 from 11.

And speaking of debt, according to the Institute of International Finance, global debt surged in Q2 as households seized on lower mortgage rates and govern-

ments' continued borrowing to revive their pandemic-battered economies. Debt levels swelled by about USD4.8 trillion to a record USD296 trillion and, with a new iPhone out, I suspect these levels are going to continue increasing!

Commentary around an upcoming default of Evergrande is starting to emerge, after the company's hiring of bankruptcy advisor, Houlihan Lokey. China's one year onshore swap rates surged to their highest level in almost 4 years, signalling market worries over liquidity shortages on the inevitable default of local property developer, Evergrande.

ECB's Governing Council member, Francois Villeroy, maintained *"the current inflation rise is temporary,"* while ECB policymaker, Jens Weidmann, stated that *"a gradual approach to digital currency makes sense, a digital euro should have a limited role in its initial rollout."*

Everyone loves a corporate break up

US Senator, Elizabeth Warren, has written to the Federal Reserve requesting they break up the US bank Wells Fargo to separate its traditional banking and Wall Street businesses after the lender was handed a USD250 million fine this month for regulatory failures.

Stay safe, keep on smiling, and hey, let's be careful out there! There's not long to go now!



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Wednesday 15 September 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.28					CAD	0.8998	0.9289
NZD/USD	0.7091	0.0000	-0.0005	-0.0015	-0.0056	CHF	0.6521	0.6731
NZD/AUD	0.9687	-0.0002	-0.0010	-0.0030	-0.0087	CNY	4.5653	4.7128
NZD/JPY	77.73	-0.02	-0.11	-0.32	-0.91	DKK	4.4658	4.6100
NZD/EUR	0.6006	-0.0004	-0.0015	-0.0037	-0.0093	FJD	1.4798	1.5276
NZD/GBP	0.5135	0.0000	-0.0004	-0.0013	-0.0038	HKD	5.5149	5.6930
						KRW	830.11	856.94
AU TWI	61.30					MYR	2.9590	3.0546
AUD/USD	0.7319	0.0001	0.0003	0.0006	0.0008	NOK	6.1293	6.3273
AUD/NZD	1.0323	0.0002	0.0011	0.0032	0.0094	SEK	6.1017	6.2988
AUD/JPY	80.24	-0.01	-0.03	-0.08	-0.21	SGD	0.9528	0.9835
AUD/EUR	0.6200	-0.0003	-0.0008	-0.0019	-0.0040	TWD	19.67	20.31
AUD/GBP	0.5301	0.0001	0.0001	0.0003	0.0009	ZAR	10.1633	10.4916
USD Index	92.65					EQUITIES		
EUR/USD	1.1806	0.0008	0.0021	0.0046	0.0091		Index	
USD/JPY	109.64	-0.03	-0.09	-0.21	-0.42	NZX50	13,109	
GBP/USD	1.3808	0.0001	0.0002	0.0005	-0.0006	ASX200	7,437	
EUR/GBP	0.8550	0.0005	0.0014	0.0030	0.0070	Dow Jones	34,575	
						S&P 500	4,438	
						FTSE100	7,034	
						DAX 30	15,723	
						Nikkei	30,670	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.36%	0.32%	-0.01%	0.02%	Dubai Light	71.90	
90 day bank bills		0.55%	0.51%	0.04%	0.00%	Brent Crude	73.59	
FRA 90d in 3mths		0.97%	0.94%	0.04%	0.01%	Gold	1,804.75	
FRA 180d in 6mths		1.11%	1.35%	0.09%	0.08%	Silver	23.86	
1 year swap		1.07%	1.05%	0.05%	0.04%	CRB Index	235.45	
2 year swap		1.40%	1.38%	0.21%	0.19%		NZD	
3 year swap		1.60%	1.58%	0.41%	0.40%	NZ Carbon	63.50	
5 year swap		1.80%	1.77%	0.82%	0.74%			
10 year swap		2.11%	2.09%	1.40%	1.39%			
10 year Govt bond			1.92%		1.25%			

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED