

# Market Alert

Wednesday 22 September 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7008	-0.0016
NZD/AUD	0.9689	-0.0030
NZD/JPY	76.52	-0.32
NZD/EUR	0.5975	-0.0037
NZD/GBP	0.5130	-0.0014
NZD/CNH	4.5434	0.0562
AUD/USD	0.7233	0.0006
AUD/EUR	0.6167	-0.0019
EUR/USD	1.1729	0.0047
USD/CNH	6.4828	0.0952
GBP/USD	1.3663	0.0005
EUR/GBP	0.8585	0.0031

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.62%	0.01%
2 year swap	1.43%	0.21%
10 year Govt	1.93%	1.27%

## It's all roro-manu

All eyes were on the RBNZ Assistant Governor, Christian Hawkesby's, speech on 'a "least regrets" approach to uncertainty.' Well, it was all Kotuku (white heron) rather than kahu (hawk's) or kereru (dove's), or, as some people re-titled it, 'What will the roro-manu (bird-brains) come up with next?' Mind you, there was one line of relevance, "the August MPS noted that we had more confidence that employment was at its maximum sustainable level and that pressures on capacity would feed through into more persistent inflation pressures over the medium-term" which

merely affirmed the imminent start of the hike cycle. This saw the market scaling back all of its pricing for anything but a 25 bps hike.

Overnight we had also the GDT auction, which saw the index rally 1.0% with WMP the standout performer up 2.2%, although butter was off 1.9%. Tomorrow sees Fonterra publish their full year results.

The RBA policy meeting minutes reiterated everything we already knew, "The central scenario is, conditions for rate rise will not be met until 2024. The board is committed to maintaining highly supportive monetary conditions. The economy was expected to bounce back as vaccination rates increase and restrictions are ease. The members recognised that the outbreak of the COVID-19 Delta variant was delaying the recovery and had added to the uncertainty about the future."

Overseas, the OECD forecasts that the world economy will grow 5.7% this year, which is little changed from the 5.8% expansion forecasted in May, with 2022 global growth firming to 4.5% from 4.4%. Interestingly, the OECD's chief economist stated "We think the Chinese fiscal and monetary authorities have capacity to buffer Evergrande shock."

In the US, housing starts rallied 3.9%, the Philadelphia Fed non-manufacturing activity index sharply declined to 9.6 from last month's 39.1, and the Q2 current account deficit widened to USD190 billion, or

3.3% of the GDP. House Democrats are calling for a vote on a bill that would suspend the US debt ceiling until after the 2022 congressional elections and temporarily fund the government to avert a shutdown after the end of this month.

In the UK, the Confederation of British Industry's order book balance rose by four points to an all time high of 22 in September 2021, easily beating market expectations of 15, while public sector net borrowing in the United Kingdom was GBP20.5 billion in August 2021, GBP5.5 billion less than a year earlier.

Financial markets reverted to trend after the recent bout of risk aversion. Equities posted modest gains in the 0.0%-1.0% region, commodities were broadly flat, while the US 10-year treasury firmed a touch to 1.325%. Currencies were mixed with the NZD and AUD bouncing off key support levels.

## On the periphery

The Canadian election saw Justin Trudeau cling to power with another minority win with a 'status quo' election victory.

Evergrande missed payments to at least two banks, that were due yesterday.

Honda says domestic production will be at 40% of capacity in August and September due to the ongoing chip shortage.

Stay safe, enjoy the takeaways, 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	74.80					CAD	0.8978	0.9267
NZD/USD	0.7008	-0.0001	-0.0005	-0.0016	-0.0057	CHF	0.6472	0.6680
NZD/AUD	0.9689	-0.0002	-0.0011	-0.0030	-0.0089	CNY	4.5318	4.6775
NZD/JPY	76.52	-0.03	-0.12	-0.32	-0.91	DKK	4.4429	4.5857
NZD/EUR	0.5975	-0.0004	-0.0015	-0.0037	-0.0094	FJD	1.4697	1.5169
NZD/GBP	0.5130	-0.0001	-0.0004	-0.0014	-0.0038	HKD	5.4577	5.6332
						KRW	830.29	856.99
AU TWI	60.90					MYR	2.9518	3.0467
AUD/USD	0.7233	0.0001	0.0003	0.0006	0.0008	NOK	6.0816	6.2771
AUD/NZD	1.0322	0.0002	0.0011	0.0032	0.0095	SEK	6.0890	6.2848
AUD/JPY	78.98	-0.01	-0.04	-0.09	-0.22	SGD	0.9480	0.9785
AUD/EUR	0.6167	-0.0003	-0.0009	-0.0019	-0.0041	TWD	19.43	20.05
AUD/GBP	0.5294	0.0000	0.0001	0.0002	0.0009	ZAR	10.4007	10.7351
USD Index	93.17					<b>EQUITIES</b>		
EUR/USD	1.1729	0.0007	0.0021	0.0047	0.0092		<b>Index</b>	
USD/JPY	109.20	-0.03	-0.09	-0.21	-0.43	NZX50	13,177	
GBP/USD	1.3663	0.0001	0.0002	0.0005	-0.0008	ASX200	7,274	
EUR/GBP	0.8585	0.0005	0.0014	0.0031	0.0072	Dow Jones	33,923	
						S&P 500	4,369	
						FTSE100	6,981	
						DAX 30	15,349	
						Nikkei	29,840	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		<b>COMMODITIES</b>		
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>		<b>USD</b>	
30 day bank bills		0.44%	0.40%	-0.01%	0.02%	Dubai Light	71.94	
90 day bank bills		0.64%	0.61%	0.03%	-0.01%	Brent Crude	74.54	
FRA 90d in 3mths		0.97%	0.94%	0.05%	0.02%	Gold	1,775.11	
FRA 180d in 6mths		1.40%	1.37%	0.12%	0.11%	Silver	22.51	
1 year swap		1.12%	1.10%	0.07%	0.04%	CRB Index	232.05	
2 year swap		1.45%	1.42%	0.22%	0.20%		<b>NZD</b>	
3 year swap		1.61%	1.59%	0.44%	0.40%	NZ Carbon	64.50	
5 year swap		1.79%	1.77%	0.81%	0.76%			
10 year swap		2.12%	2.09%	1.44%	1.43%			
10 year Govt bond			1.91%		1.27%			

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