

Market Alert

Thursday 23 September 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7005	-0.0016
NZD/AUD	0.9676	-0.0030
NZD/JPY	76.91	-0.32
NZD/EUR	0.5990	-0.0037
NZD/GBP	0.5143	-0.0014
NZD/CNH	4.5310	0.0575
AUD/USD	0.7240	0.0006
AUD/EUR	0.6190	-0.0019
EUR/USD	1.1695	0.0047
USD/CNH	6.4682	0.0970
GBP/USD	1.3622	0.0005
EUR/GBP	0.8585	0.0031

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.62%	0.02%
2 year swap	1.43%	0.21%
10 year Govt	1.94%	1.26%

Fed indicators

The Fed left its key benchmark interest rate unchanged, but the minutes suggested tapering will start in November or December *"If progress continues broadly as expected the Committee judges that a moderation in the pace of asset purchases may soon be warranted. While no decisions were made, participants generally viewed that so long as the recovery remains on track, a gradual tapering process that concludes around the middle of next year is likely to be appropriate."*

The Fed's 'dot plots' also signalled interest rate increases may follow more quickly than expected, with 9 out of

18 policymakers projecting borrowing costs will rise in 2022. In June, when members last released their economic projections, a majority had the increase in 2023. Members now see the US economy growing at 5.9% in 2021, 3.8% in 2022, and 2.5% in 2023, while PCE inflation is forecasts to be higher in 2021 at 4.2%, before it drops to 2.2% in 2022. The unemployment rate is forecast to be slightly higher this year at 4.8%.

The reaction of the financial markets was surprisingly muted given that tapering is essentially nailed on in the absence of a terrible payroll report next month and with more rate hikes across the dot plot graph. In fact, the US-dollar reaction perhaps perfectly summed up the price action initially selling-off on the statement before recovering to a session high in the Q&A. This saw both the NZD and the AUD hit session highs, and then lows, within 45 minutes. Both currencies are currently sitting just above their session lows. The Fed statement also saw the US yield curve flatten slightly with the 10 year treasury yielding 1.31%, while US equities are holding on to their gains following a positive European session.

In other news

US existing-home sales unexpectedly declined by -2.0% in August as prices continued to increase and supply remained tight, while Eurozone consumer confidence rose by +1.3 points to -4.0

in September to record its highest level since June and defy market expectations of -5.8.

In Japan, the BOJ left its policy settings unchanged, as expected. The BOJ maintained its assessment on the economy, stating it was *"picking up as a trend, although it remained in a severe state due to the impact of the pandemic,"* although their outlook on exports and output was even bleaker, reinforcing expectations that the central bank will maintain its massive stimulus for some time to come.

Evergrande announced it will make coupon payments for onshore bonds due on Thursday, although there was no mention of payments to foreign bond holders, while another Chinese property company, Guangzhou R&F has suspended trading in one of its bonds after it jumped 23%. In amongst all of these property concerns, the PBoC left its 1 year and 5 year loan prime rates unchanged at 3.85% and 4.65%.

RBA Assistant Governor, Michele Bullock, announced that growing house prices may be risking the stability of the financial system.

A Bloomberg survey has suggested the global semiconductor chip shortage has worsened as wait times have extended out by 6 days to 21 weeks!

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	74.83					CAD	0.8940	0.9239
NZD/USD	0.7005	-0.0001	-0.0005	-0.0016	-0.0056	CHF	0.6487	0.6704
NZD/AUD	0.9676	-0.0002	-0.0010	-0.0030	-0.0088	CNY	4.5269	4.6784
NZD/JPY	76.91	-0.03	-0.12	-0.32	-0.91	DKK	4.4541	4.6032
NZD/EUR	0.5990	-0.0004	-0.0015	-0.0037	-0.0094	FJD	1.4699	1.5192
NZD/GBP	0.5143	-0.0001	-0.0004	-0.0014	-0.0038	HKD	5.4543	5.6369
						KRW	829.18	856.95
AU TWI	60.70					MYR	2.9441	3.0427
AUD/USD	0.7240	0.0001	0.0003	0.0006	0.0008	NOK	6.0695	6.2727
AUD/NZD	1.0335	0.0002	0.0011	0.0032	0.0095	SEK	6.0893	6.2932
AUD/JPY	79.48	-0.01	-0.04	-0.09	-0.22	SGD	0.9485	0.9803
AUD/EUR	0.6190	-0.0003	-0.0009	-0.0019	-0.0041	TWD	19.50	20.16
AUD/GBP	0.5315	0.0000	0.0001	0.0002	0.0009	ZAR	10.3787	10.7262
USD Index	93.37					EQUITIES		
EUR/USD	1.1695	0.0007	0.0021	0.0047	0.0092		Index	
USD/JPY	109.79	-0.03	-0.09	-0.21	-0.42	NZX50	13,216	
GBP/USD	1.3622	0.0001	0.0002	0.0005	-0.0008	ASX200	7,297	
EUR/GBP	0.8585	0.0005	0.0014	0.0031	0.0073	Dow Jones	34,258	
						S&P 500	4,399	
						FTSE100	7,083	
						DAX 30	15,507	
						Nikkei	29,639	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.44%	0.40%	-0.01%	0.01%	Dubai Light	72.83	
90 day bank bills		0.64%	0.60%	0.04%	0.00%	Brent Crude	75.98	
FRA 90d in 3mths		0.96%	0.93%	0.05%	0.02%	Gold	1,766.95	
FRA 180d in 6mths		1.41%	1.38%	0.11%	0.10%	Silver	22.65	
1 year swap		1.11%	1.08%	0.07%	0.03%	CRB Index	235.74	
2 year swap		1.44%	1.41%	0.23%	0.18%		NZD	
3 year swap		1.61%	1.58%	0.44%	0.40%	NZ Carbon	64.50	
5 year swap		1.79%	1.76%	0.80%	0.77%			
10 year swap		2.11%	2.09%	1.44%	1.43%			
10 year Govt bond			1.92%		1.26%			

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