

Market Alert

Friday 24 September 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7072	-0.0016
NZD/AUD	0.9686	-0.0030
NZD/JPY	77.99	-0.33
NZD/EUR	0.6024	-0.0038
NZD/GBP	0.5154	-0.0013
NZD/CNH	4.5689	0.0568
AUD/USD	0.7302	0.0006
AUD/EUR	0.6219	-0.0020
EUR/USD	1.1741	0.0047
USD/CNH	6.4602	0.0954
GBP/USD	1.3723	0.0003
EUR/GBP	0.8555	0.0033

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.62%	0.02%
2 year swap	1.42%	0.24%
10 year Govt	1.89%	1.26%

The Fed follow-up

Following on from yesterday's FOMC, the general perception is that the Fed will announce its tapering plans in November with the expectation being tapering an average of around USD20 billion at each meeting starting from December. And the need for this was highlighted by the Federal Reserve's reverse repo facility which hit a record high of USD1.352 trillion after the rules were tweaked doubling counterparty limits to USD160 billion.

The reverse repo facility allows counterparties like money-market funds to place surplus cash on deposit at the

central bank, although this surplus cash is essentially 'spare' cash within the financial system, highlighting the need for the Fed to scale back liquidity.

To be fair to investors, they embraced the Federal Reserve's bullish economic outlook from the FOMC, and with a reduced risk of contagion from the turmoil in Chinese debt markets, due to Evergrande, equity markets were a sea of green as index's posted their largest 2 day gain since May. Yields and commodity currencies also benefited from the 'risk-on' environment with the 10 year treasury yield rallying a staggering 10 pips to 1.41%, while the bund is at -0.26%. The NZD and AUD also firmed 0.9% and 0.85% respectively.

There was a fair bit of data out overnight, so let's crack through it. In the US, it was all about the Markit PMIs with the manufacturing index falling to 60.5 in September from 61.1 in August and below market forecasts of 61.5, while the services PMI fell to 54.4 from August's 55.1 and below market forecasts of 54.0.

US initial jobless claims also underperformed expectations, printing at 351,000 this week, its highest reading in 4 weeks and well above market forecasts of 320,000. Finally, the Kansas City Fed manufacturing index fell to 10 from last month's 22.

In the UK, the pound got a boost after the BoE said that the case for a modest tightening had strengthened as inflation could persist above 4% well into 2022,

although considerable uncertainties remain. In saying that, the BoE did leave its benchmark interest rate and QE programme unchanged.

At least there was some good news out of Australia with the preliminary September manufacturing PMI printing at 57.3, which was up from August's 52.0, while the services index firmed to 44.9 from 42.9.

In New Zealand, the RBNZ, after its public 'consultation,' confirmed it will halve new bank mortgage lending on loans that have an LVR over 80% to just 10% of all mortgage lending from the existing 20%.

Banco Central do Brasil, did what?

Banco Central do Brasil, the Brazilian central bank, for those that don't speak Portuguese, hiked its benchmark interest rate to 6.25% from 5.25% ... yep, a 1.00% hike!

Fitch has cut its China 2021 GDP forecast to 8.1%, from 8.4%, citing, "the property slowdown, 'deleveraging dynamics' that are weighing on the recovery, the recalibration of government policy, and housing will to take a toll on domestic demand and global commodities." Meanwhile Moody's believes Chinese authorities will likely permit faster credit growth in H2 2021, to offset slowing economic growth.

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



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Friday 24 September 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.29					CAD	0.8955	0.9245
NZD/USD	0.7072	-0.0001	-0.0006	-0.0016	-0.0056	CHF	0.6538	0.6750
NZD/AUD	0.9686	-0.0002	-0.0011	-0.0030	-0.0087	CNY	4.5681	4.7161
NZD/JPY	77.99	-0.03	-0.13	-0.33	-0.92	DKK	4.4793	4.6245
NZD/EUR	0.6024	-0.0004	-0.0015	-0.0038	-0.0094	FJD	1.4685	1.5161
NZD/GBP	0.5154	-0.0001	-0.0005	-0.0013	-0.0034	HKD	5.5048	5.6833
						KRW	831.57	858.53
AU TWI	60.70					MYR	2.9451	3.0405
AUD/USD	0.7302	0.0001	0.0003	0.0006	0.0008	NOK	6.0640	6.2606
AUD/NZD	1.0324	0.0003	0.0012	0.0033	0.0094	SEK	6.1020	6.2998
AUD/JPY	80.52	-0.01	-0.04	-0.09	-0.22	SGD	0.9536	0.9845
AUD/EUR	0.6219	-0.0003	-0.0009	-0.0020	-0.0042	TWD	19.55	20.19
AUD/GBP	0.5321	0.0000	0.0001	0.0003	0.0013	ZAR	10.4426	10.7811
USD Index	93.06					EQUITIES		
EUR/USD	1.1741	0.0007	0.0021	0.0047	0.0093		Index	
USD/JPY	110.28	-0.03	-0.09	-0.21	-0.43	NZX50	13,306	
GBP/USD	1.3723	0.0001	0.0001	0.0003	-0.0017	ASX200	7,370	
EUR/GBP	0.8555	0.0005	0.0014	0.0033	0.0078	Dow Jones	34,765	
						S&P 500	4,452	
						FTSE100	7,078	
						DAX 30	15,644	
						Nikkei	29,639	
INTEREST RATES		New Zealand		Australia				
		Borrow	Invest	Borrow	Invest			
30 day bank bills		0.44%	0.40%	-0.01%	0.02%	COMMODITIES		
90 day bank bills		0.64%	0.61%	0.04%	0.00%		USD	
FRA 90d in 3mths		0.99%	0.96%	0.05%	0.02%	Dubai Light	73.45	
FRA 180d in 6mths		1.41%	1.38%	0.13%	0.12%	Brent Crude	77.18	
1 year swap		1.11%	1.08%	0.10%	0.02%	Gold	1,747.60	
2 year swap		1.44%	1.41%	0.27%	0.20%	Silver	22.56	
3 year swap		1.61%	1.58%	0.47%	0.45%	CRB Index	238.08	
5 year swap		1.81%	1.78%	0.87%	0.79%		NZD	
10 year swap		2.13%	2.11%	1.53%	1.50%	NZ Carbon	64.50	
10 year Govt bond			1.87%		1.26%			

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