

# Market Alert

Monday 27 September 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7006	-0.0017
NZD/AUD	0.9670	-0.0031
NZD/JPY	77.52	-0.32
NZD/EUR	0.5975	-0.0038
NZD/GBP	0.5124	-0.0013
NZD/CNH	4.5269	0.0547
AUD/USD	0.7251	0.0006
AUD/EUR	0.6182	-0.0019
EUR/USD	1.1729	0.0047
USD/CNH	6.4619	0.0937
GBP/USD	1.3672	0.0002
EUR/GBP	0.8578	0.0033

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.62%	0.02%
2 year swap	1.46%	0.26%
10 year Govt	2.01%	1.41%

## Making the call

'For' US interest rate hikes next year, was Cleveland City Fed President, Loretta Mester, and what is relevant here is that in 2022 Ms Mester becomes a voting member of the Federal Reserve. Loretta announced "QE is not as effective as it used to be, so they (the Fed) can slow down buying. Inflation risks on the upside exceed those on the negative. Inflation will be a little more than 2% in the next (few) years. Support a November taper that concludes in H1. After lift-off, we'll need accommodative policy for a little while."

Kansas City Fed President, Esther George, was also talking, stating "A return to normal should allow continued growth and moderating inflation but some changes from pandemic may persist. The Fed will face a complicated discussion about the size of the balance sheet after tapering."

To be fair, the latest US data also supported this call with August new home sales are increasing to 740,000 from the 714,000 expected.

In other data, ahead of the German election, the Ifo business climate indicator for Germany declined for a third consecutive month to 98.8 in September. It is the lowest reading in 5 months, mainly due to ongoing supply shortages in the industrial sector, but, on a positive note, the August headline number was revised up to 99.6.

The PBoC was busy over the weekend adding 320 billion yuan, or nearly USD50 billion of funds on Sunday, its largest weekly cash injection into the banking system since the middle of January. Furthermore, the central bank also announced on its website that crypto transactions in China are banned, and they will root out mining of digital assets.

The Chinese crypto-crackdown had investors on guard for what Chinese regulators may target next as the government also tightens its grip on

sectors ranging from private education to digital gaming, e-cigarettes, property, and insurance. This saw stocks struggle for direction with US bourses making modest gains while European indexes were broadly down -0.5%.

Meanwhile, the benchmark 10-year Treasury note continued its recent rally to hit 1.46% on Friday, its highest level since July, as investors digest the Loretta Mester comments, which also saw further support for the USD.

## Auf Wiedersehen, pet

Goodbye Angela Merkel, the first female Chancellor of Germany and the de facto leader of the European Union. She certainly had a few challenges in her 16 years in power!

Welcome back John Key... there's nothing like a blistering attack from an ex-Prime Minister on the incumbent!

Stay safe, stay dry, 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	74.82					CAD	0.8877	0.9180
NZD/USD	0.7006	-0.0001	-0.0006	-0.0017	-0.0056	CHF	0.6481	0.6702
NZD/AUD	0.9670	-0.0003	-0.0012	-0.0031	-0.0088	CNY	4.5288	4.6835
NZD/JPY	77.52	-0.03	-0.12	-0.32	-0.91	DKK	4.4428	4.5946
NZD/EUR	0.5975	-0.0004	-0.0016	-0.0038	-0.0094	FJD	1.4646	1.5146
NZD/GBP	0.5124	-0.0001	-0.0005	-0.0013	-0.0035	HKD	5.4623	5.6489
						KRW	825.25	853.46
AU TWI	61.10					MYR	2.9536	3.0546
AUD/USD	0.7251	0.0001	0.0003	0.0006	0.0008	NOK	6.0241	6.2300
AUD/NZD	1.0342	0.0003	0.0013	0.0033	0.0095	SEK	6.0571	6.2641
AUD/JPY	80.23	-0.01	-0.03	-0.08	-0.22	SGD	0.9485	0.9809
AUD/EUR	0.6182	-0.0003	-0.0009	-0.0019	-0.0042	TWD	19.42	20.08
AUD/GBP	0.5304	0.0000	0.0002	0.0004	0.0012	ZAR	10.4739	10.8319
USD Index	93.33					<b>EQUITIES</b>		
EUR/USD	1.1729	0.0007	0.0021	0.0047	0.0093		<b>Index</b>	
USD/JPY	110.64	-0.02	-0.09	-0.20	-0.42	NZX50	13,260	
GBP/USD	1.3672	0.0001	0.0001	0.0002	-0.0016	ASX200	7,343	
EUR/GBP	0.8578	0.0004	0.0014	0.0033	0.0078	Dow Jones	34,798	
						S&P 500	4,455	
						FTSE100	7,051	
						DAX 30	15,532	
						Nikkei	30,249	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	74.54	
						Brent Crude	78.09	
						Gold	1,750.00	
						Silver	22.40	
						CRB Index	239.48	
							<b>NZD</b>	
						NZ Carbon	64.50	

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.44%	0.40%	-0.01%	0.02%
90 day bank bills	0.64%	0.60%	0.04%	0.00%
FRA 90d in 3mths	1.00%	0.97%	0.06%	0.03%
FRA 180d in 6mths	1.42%	1.39%	0.14%	0.13%
1 year swap	1.12%	1.09%	0.08%	0.06%
2 year swap	1.47%	1.45%	0.26%	0.25%
3 year swap	1.65%	1.62%	0.49%	0.48%
5 year swap	1.86%	1.84%	0.90%	0.86%
10 year swap	2.21%	2.18%	1.56%	1.55%
10 year Govt bond		1.99%		1.41%

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