

Market Alert

Thursday 30 September 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6868	-0.0016
NZD/AUD	0.9563	-0.0030
NZD/JPY	76.91	-0.32
NZD/EUR	0.5921	-0.0037
NZD/GBP	0.5113	-0.0012
NZD/CNH	4.4491	0.0505
AUD/USD	0.7183	0.0006
AUD/EUR	0.6192	-0.0020
EUR/USD	1.1600	0.0047
USD/CNH	6.4786	0.0888
GBP/USD	1.3433	0.0001
EUR/GBP	0.8636	0.0034

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.63%	0.02%
2 year swap	1.43%	0.28%
10 year Govt	2.06%	1.49%

It's all about supply chains today

Fed Chairman, Jerome Powell, said that a recent spell of higher inflation might last longer than central bank officials had anticipated as, *"The current inflation spike is really a consequence of supply constraints meeting very strong demand. And that is all associated with the reopening of the economy. If we were to see higher inflation, the Federal Reserve would certainly respond, and we would use our tools."* Although he doesn't expect the current inflation spike to *"lead to a new inflation regime, in which inflation remains high year after year."*

There was a similar theme from BoE Governor, Andrew Bailey, who stated, *"We are seeing bottlenecks in supply chains, some of it global. I expect us to be back to pre-pandemic level in the early part of 2022, possibly a month or two later than we thought previously. Monetary policy can't produce computer chips, it can't produce wind"* – which is a very good point!

Meanwhile, ECB president, Christine Lagarde, added, *"The resolution of bottlenecks is uncertain, but should fade in H1 22 (meaning the) Eurozone could be back at pre-pandemic levels at year end. Inflation expectations have gone up but they're still distant from our targets. We will be watching eurozone wage negotiations, although we haven't seen any sign of 'contamination' of second-round effects."*

Perhaps we shouldn't be surprised that German import prices increased 16.5% in the year to August, its highest level since 1981! In the US, August pending home sales increased +8.1% in August, versus the +1.4% expected.

In other news, St. Louis President, James Bullard, said he's *"confident that as the economy heals, the yield curve will steepen."* He is now seeing two rate hikes in 2022 forecasting the US GDP will grow 5.8% this year and 4.5% in 2022.

The Australian Council of Financial Regulators maintains the financial system remains strong, although there will likely be measures ahead to calm runaway house prices as *"Over the next couple of months, APRA plans to publish*

an information paper on its framework for implementing macroprudential policy."

So, what did it all mean? Nothing we didn't already know, but the US dollar index is absolutely on fire, having its strongest day since June's FOMC and extending its gains for a third session!

The big mover has been the EUR/USD rate, which has fallen to a 2021 low at 1.1600 where barrier options appear to be defending the level. This has seen the NZD weaken 1.25%, and the AUD fall 0.75%, meaning the NZD/AUD has fallen to the 0.9565 level. Equity markets are broadly higher, and the US 10 year Treasury is at 1.54%.

Horse, door, bolt?

With another USD45.2 million interest payment missed yesterday, Fitch has downgraded Evergrande to 'C' from 'CC'.

The Japanese Government's pension investment fund has announced it will stop adding yuan-denominated Chinese government bonds to its portfolio.

With the NZ Government set to convert 165,000 migrant workers to permanent workers, should we now assume these workers will start looking to buy houses?

With winter approaching, China is reportedly considering power price hikes for industrial users to relieve the pressure on households.

Stay safe, 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	73.76					CAD	0.8757	0.9158
NZD/USD	0.6868	-0.0001	-0.0006	-0.0016	-0.0053	CHF	0.6418	0.6712
NZD/AUD	0.9563	-0.0003	-0.0013	-0.0030	-0.0085	CNY	4.4437	4.6470
NZD/JPY	76.91	-0.03	-0.14	-0.32	-0.89	DKK	4.4029	4.6043
NZD/EUR	0.5921	-0.0004	-0.0018	-0.0037	-0.0093	FJD	1.4618	1.5287
NZD/GBP	0.5113	-0.0001	-0.0006	-0.0012	-0.0031	HKD	5.3473	5.5919
						KRW	811.77	848.91
AU TWI	61.00					MYR	2.9062	3.0391
AUD/USD	0.7183	0.0001	0.0004	0.0006	0.0008	NOK	6.0204	6.2958
AUD/NZD	1.0458	0.0003	0.0014	0.0033	0.0094	SEK	6.0453	6.3218
AUD/JPY	80.43	-0.01	-0.03	-0.08	-0.22	SGD	0.9357	0.9785
AUD/EUR	0.6192	-0.0003	-0.0010	-0.0020	-0.0042	TWD	19.08	19.95
AUD/GBP	0.5347	0.0000	0.0001	0.0004	0.0015	ZAR	10.4292	10.9063
USD Index	94.33					EQUITIES		
EUR/USD	1.1600	0.0007	0.0026	0.0047	0.0093		Index	
USD/JPY	111.99	-0.02	-0.11	-0.20	-0.43	NZX50	13,120	
GBP/USD	1.3433	0.0001	0.0005	0.0001	-0.0022	ASX200	7,197	
EUR/GBP	0.8636	0.0005	0.0016	0.0034	0.0083	Dow Jones	34,517	
						S&P 500	4,381	
						FTSE100	7,108	
						DAX 30	15,365	
						Nikkei	29,544	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.45%	0.41%	0.00%	0.02%	Dubai Light	75.17	
90 day bank bills		0.65%	0.61%	0.04%	0.00%	Brent Crude	78.64	
FRA 90d in 3mths		0.98%	0.94%	0.06%	0.03%	Gold	1,724.79	
FRA 180d in 6mths		1.39%	1.36%	0.15%	0.14%	Silver	21.53	
1 year swap		1.10%	1.07%	0.09%	0.05%	CRB Index	242.97	
2 year swap		1.44%	1.42%	0.30%	0.26%		NZD	
3 year swap		1.65%	1.63%	0.53%	0.50%	NZ Carbon	64.00	
5 year swap		1.89%	1.86%	0.94%	0.92%			
10 year swap		2.26%	2.24%	1.66%	1.64%			
10 year Govt bond			2.04%		1.49%			

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