

# Market Alert

Friday 1 October 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6907	-0.0016
NZD/AUD	0.9554	-0.0030
NZD/JPY	76.92	-0.32
NZD/EUR	0.5963	-0.0037
NZD/GBP	0.5125	-0.0012
NZD/CNH	4.4546	0.0536
AUD/USD	0.7230	0.0006
AUD/EUR	0.6242	-0.0020
EUR/USD	1.1583	0.0046
USD/CNH	6.4500	0.0930
GBP/USD	1.3478	-0.0001
EUR/GBP	0.8594	0.0035

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.66%	0.02%
2 year swap	1.43%	0.28%
10 year Govt	2.09%	1.49%

## Pinch, punch, first of the month

Which usually means it's all about the Federal Reserve's reverse repo market, which last night hit a staggering USD1.605 trillion dollars. Yes, that's right, there is USD1.605 trillion dollars in the US financial system that no-one knows what to do with, so it's been placed on overnight night deposit for a minimal 0.05%.

Mind you, it's all about buying time these days after the Senate passed a government funding bill that would provide temporary funding for the government through to 3 December.

The House is now expected to approve the plan and send it to President Joe Biden before the governments funding lapsed, but don't get carried away just yet because lawmakers still need to raise or suspend the debt ceiling before 18 October to prevent a possible default on US debt.

Unlike Evergrande, Fitch has announced that any potential US government shut down is unlikely to impact most US public finance credits in the near term. Yeah, right!

In other news, US annualised Q2 GDP headlined at 6.7%, slightly higher than estimates at 6.6%, while initial jobless claims rose for a third straight week to 362k, defying market expectations of 335k and moving further away from a pandemic low of 312k reached earlier in the month. In Germany, CPI printed at 0.0% on the month and 4.1% on the year, while the Eurozone's unemployment rate was flat at 7.5%.

There were a few Fed members chatting away last night. San Francisco Fed President, Mary Daly, was on the wires stating she *"expects bar for tapering to be met by the end of the year, (although) we are a long way from raising rates. With over six million Americans on the Labour market sidelines, it's appropriate to wait to see how things go."*

Meanwhile, the Chicago Fed President, Charles Evans, stated *"inflation expectations have not been getting out of hand."*

*A burst of higher inflation now will give way to lower numbers ahead (although) supply shocks are a big part of current high inflation readings. There's no way to sugar coat it, higher prices are affecting people."*

Goldman Sachs says hidden local government debt in China is half of GDP as *"total debt of local government financing vehicles rose to about 53 trillion yuan (USD8.2 trillion) at the end of last year from 16 trillion yuan in 2013. That's equal to about 52% of gross domestic product and is larger than amount of official outstanding government debt."*

Japanese retail sales eased 4.1% in July, while August industrial production fell 3.2%. UK car production contracted 27% in the year to August due to the semiconductor chip shortage, while New Zealand building permits jumped 3.8% in August and the September business survey saw confidence stabilise at -7.2 with the own activity index still in positive territory at +18.2.

## Finally

Most indexes closed the day, and the month, negatively as we head into Q4. Apart from equities, most markets were stable with NZD and the AUD making solid gains, while the NZD/AUD and treasuries fell further with the cross at 0.9550 and the T-bond at 1.52%.

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



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# Daily Rates

Friday 1 October 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.92					CAD	0.8749	0.9157
NZD/USD	0.6907	-0.0001	-0.0005	-0.0016	-0.0053	CHF	0.6441	0.6742
NZD/AUD	0.9554	-0.0003	-0.0012	-0.0030	-0.0083	CNY	4.4510	4.6590
NZD/JPY	76.92	-0.03	-0.13	-0.32	-0.88	DKK	4.4344	4.6416
NZD/EUR	0.5963	-0.0004	-0.0017	-0.0037	-0.0092	FJD	1.4532	1.5211
NZD/GBP	0.5125	-0.0001	-0.0005	-0.0012	-0.0031	HKD	5.3762	5.6274
						KRW	817.66	855.88
AU TWI	60.80					MYR	2.8768	3.0113
AUD/USD	0.7230	0.0001	0.0004	0.0006	0.0007	NOK	6.0366	6.3187
AUD/NZD	1.0467	0.0003	0.0014	0.0033	0.0092	SEK	6.0490	6.3317
AUD/JPY	80.52	-0.01	-0.03	-0.08	-0.22	SGD	0.9381	0.9819
AUD/EUR	0.6242	-0.0003	-0.0010	-0.0020	-0.0043	TWD	19.18	20.08
AUD/GBP	0.5364	0.0000	0.0001	0.0005	0.0014	ZAR	10.4088	10.8952
USD Index	94.26					<b>EQUITIES</b>		
EUR/USD	1.1583	0.0007	0.0025	0.0046	0.0092		<b>Index</b>	
USD/JPY	111.38	-0.02	-0.11	-0.20	-0.42	NZX50	13,276	
GBP/USD	1.3478	0.0001	0.0004	-0.0001	-0.0023	ASX200	7,332	
EUR/GBP	0.8594	0.0005	0.0016	0.0035	0.0083	Dow Jones	34,057	
						S&P 500	4,346	
						FTSE100	7,086	
						DAX 30	15,261	
						Nikkei	29,453	
<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		0.47%	0.43%	-0.01%	0.02%	Dubai Light	75.90	
90 day bank bills		0.68%	0.65%	0.04%	0.00%	Brent Crude	78.34	
FRA 90d in 3mths		0.96%	0.93%	0.06%	0.03%	Gold	1,757.51	
FRA 180d in 6mths		1.38%	1.35%	0.16%	0.15%	Silver	22.22	
1 year swap		1.10%	1.08%	0.10%	0.05%	CRB Index	241.44	
2 year swap		1.44%	1.42%	0.31%	0.26%		<b>NZD</b>	
3 year swap		1.64%	1.62%	0.54%	0.51%	NZ Carbon	64.50	
5 year swap		1.89%	1.87%	0.96%	0.95%			
10 year swap		2.28%	2.25%	1.66%	1.65%			
10 year Govt bond			2.07%		1.49%			

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