

# Market Alert

Monday 11 October 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6930	-0.0019
NZD/AUD	0.9478	-0.0032
NZD/JPY	77.70	-0.36
NZD/EUR	0.5989	-0.0041
NZD/GBP	0.5081	-0.0013
NZD/CNH	4.4664	0.0536
AUD/USD	0.7312	0.0005
AUD/EUR	0.6319	-0.0021
EUR/USD	1.1572	0.0047
USD/CNH	6.4454	0.0953
GBP/USD	1.3639	-0.0004
EUR/GBP	0.8484	0.0037

  

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.67%	0.03%
2 year swap	1.46%	0.38%
10 year Govt	2.14%	1.64%

## Forget the data, we're sticking with the plan

The US nonfarm payroll number on Friday was a bit of a fizzer with just 194,000 jobs added last month, the smallest advance this year and well below market expectations. In amongst the detail there was positive news, as the August numbers were revised up to 366,000 from 235,000 and the unemployment rate fell to 4.8% reflecting a decline in the size of the labour force. Average hourly earnings also jumped, although the participation rate fell by 0.1 to 61.6%.

Consecutive months of sluggish job growth suggests a tug of war between employers, starved for workers to meet demand, and candidates who have been slow to return to the workforce. Following on from the end of the northern hemisphere summer, as schools re-open and the expanded federal unemployment benefits roll off, there should be a pick up in hiring at a time when companies are looking to boost pay to attract workers.

This saw equity markets remain weak although the US 10-year yield moved above the 1.60% for the first time since June as the Treasury yield curve steepened. Traders concluded that the Federal Reserve looks to meet the minimum threshold and start its tapering cycle in November. The T-bond eventually closed at 1.61% while the US dollar was relatively flat which saw the NZD and the AUD firm a touch.

This led to San Francisco Fed Reserve President, Mary Daly, joining the Sunday news shows explaining the *"Jobs market has had ups and downs, but it's too soon to say it's stalling. Inflation is directly related to Covid. If we continue to have bottlenecks and we keep spending, we will have more inflation. Longer bottlenecks with high spending would mean inflation."*

Bank of England's MPC member, Michael Saunders, was also in the weekend papers stating *"markets have priced in over the last few months an earlier rise than previously."*

*The February one is fully priced in and for December, it's half priced in. I'm not trying to give a commentary on exactly which one, but I think it is appropriate that the markets have moved to pricing a significantly earlier path of tightening than they did previously."*

So, with signs that the recent trend in inflationary pressures won't fade soon amid supply chain constraints, surging commodity prices, ongoing stimulus, and labour shortages, the task for policy makers is complicated by a slowdown in economic growth, prompting some to warn of a stagflationary-lite environment. Stagflation is characterised by slowing economic growth, economic stagnation, and escalating inflationary pressures. Targeting inflation with tighter monetary policy adds to the pressure on the underlying economies, while trying to boost demand may ignite prices further.

This was highlighted by Goldman Sachs cutting their U.S. growth forecasts to 5.6% in 2021, versus their previous estimate of 5.7%, and 4% next year, down from 4.4%, blaming a delayed recovery in consumer spending.

## Q3 earnings season underway

We will also get the minutes from the last FOMC meeting, inflation data from the US and China, US retail sales, Eurozone industrial production, and UK and Australia jobs numbers.



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

**Barrington**  
TREASURY SERVICES

**Barrington**  
ASSET CONSULTING



**BANCORP**

BANCORP CORPORATE FINANCE LIMITED

# Daily Rates

Monday 11 October 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.05					CAD	0.8650	0.9127
NZD/USD	0.6930	-0.0003	-0.0008	-0.0019	-0.0057	CHF	0.6427	0.6781
NZD/AUD	0.9478	-0.0004	-0.0015	-0.0032	-0.0085	CNY	4.4665	4.7127
NZD/JPY	77.70	-0.05	-0.16	-0.36	-0.95	DKK	4.4573	4.7030
NZD/EUR	0.5989	-0.0006	-0.0020	-0.0041	-0.0097	FJD	1.4568	1.5371
NZD/GBP	0.5081	-0.0002	-0.0007	-0.0013	-0.0029	HKD	5.3984	5.6960
						KRW	828.20	873.86
AU TWI	61.50					MYR	2.8922	3.0516
AUD/USD	0.7312	0.0001	0.0003	0.0005	0.0006	NOK	5.9187	6.2450
AUD/NZD	1.0551	0.0005	0.0017	0.0036	0.0096	SEK	6.0540	6.3878
AUD/JPY	82.00	-0.01	-0.04	-0.10	-0.27	SGD	0.9401	0.9919
AUD/EUR	0.6319	-0.0003	-0.0011	-0.0021	-0.0046	TWD	19.49	20.56
AUD/GBP	0.5361	0.0000	0.0001	0.0005	0.0018	ZAR	10.3476	10.9180
USD Index	94.07					<b>EQUITIES</b>		
EUR/USD	1.1572	0.0007	0.0025	0.0047	0.0094		<b>Index</b>	
USD/JPY	112.15	-0.03	-0.11	-0.21	-0.45	NZX50	13,087	
GBP/USD	1.3639	0.0000	0.0004	-0.0004	-0.0034	ASX200	7,320	
EUR/GBP	0.8484	0.0005	0.0016	0.0037	0.0090	Dow Jones	34,746	
						S&P 500	4,391	
						FTSE100	7,096	
						DAX 30	15,206	
						Nikkei	28,049	
<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		0.55%	0.51%	0.00%	0.02%	Dubai Light	78.20	
90 day bank bills		0.69%	0.66%	0.05%	0.01%	Brent Crude	82.39	
FRA 90d in 3mths		0.98%	0.95%	0.10%	0.07%	Gold	1,756.72	
FRA 180d in 6mths		1.41%	1.38%	0.26%	0.24%	Silver	22.66	
1 year swap		1.13%	1.11%	0.13%	0.11%	CRB Index	250.22	
2 year swap		1.47%	1.45%	0.39%	0.37%		<b>NZD</b>	
3 year swap		1.68%	1.66%	0.65%	0.64%	NZ Carbon	64.60	
5 year swap		1.92%	1.90%	1.10%	1.05%			
10 year swap		2.30%	2.28%	1.78%	1.78%			
10 year Govt bond			2.12%		1.64%			

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