

Market Alert

Tuesday 12 October 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6946	-0.0020
NZD/AUD	0.9445	-0.0034
NZD/JPY	78.72	-0.38
NZD/EUR	0.6009	-0.0042
NZD/GBP	0.5105	-0.0012
NZD/CNH	4.4859	0.0554
AUD/USD	0.7354	0.0005
AUD/EUR	0.6362	-0.0021
EUR/USD	1.1559	0.0047
USD/CNH	6.4586	0.0987
GBP/USD	1.3608	-0.0008
EUR/GBP	0.8495	0.0039

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.66%	0.03%
2 year swap	1.49%	0.44%
10 year Govt	2.19%	1.72%

Fact of the day

With the US closed for its Columbus Day national holiday, markets were quiet with headlines at a premium. Did you know that after Christopher's death in 1506, his heirs waged a lengthy legal battle with the Spanish crown claiming that the monarchy short changed them on money and profits that were due to the explorer, with the litigation lasting until 1790. Imagine the legal fees on that case!

The surge in energy prices continues amid an intensifying debate on whether inflation pressures will be transitory or derail the economic recovery as crude

oil climbed to a 7 year high around the USD 80.45 level, while Brent oil surged to USD83.55. Iron ore and lumber both made gains of over 5.0%, aluminum also jumped, while Chinese coal futures hit a record.

Equities were quiet with most bourses down -0.3% to -0.8% while the Treasury market was closed for the holiday. Interestingly though, there were some subliminal moves in FX markets. The US dollar rose, so did the NZD and AUD, which saw the JPY and EUR come under selling pressure.

Without doubt, the highlight of the overnight session was a speech by the ECB's chief economist, Philip Lane, on "Monetary Policy bridging science and practice" in which he stated "We are in an early stage of an energy shock (although) the trigger for monetary policy action isn't there. 'Mostly transitory' means the inflation rise doesn't have much of a footprint in the medium term outlook. The response to delta involved shutdowns in Asian suppliers, which is feeding back to Europe through supply."

We also had ECB governing council member, Yannis Stournaras, give a speech in which he can only be described as a 'bear' after announcing, "The ECB does not expect a significant rising inflation in the medium-term. Dismisses the rising energy prices. Sees inflation falling below 2% next year."

JPMorgan CEO, and darling of the US markets, Jamie Dimon, also had another pop at bitcoin stating, "Bitcoin is worthless and government regulation is coming." Not that it made any difference given that bitcoin has rallied USD3,200, or 6%, since Friday and just broke above the USD57,000 level.

It would appear that the world's global supply chains issues aren't over yet after Citing Sea-Intelligence, an industry research firm in Denmark, noted that nearly 13% of the world's cargo shipping is tied up by delays.

The China corner

In another positive move for Australia, China has banned imports of UK beef from cattle under 30 months of age due to a case of 'mad cow' disease. Meanwhile, floods and landslides have hit the northern Chinese province of Shanxi, which is a major coal-producing area. The region has had 5 times its regular rainfall since the beginning of this month with more than 15,000 buildings having collapsed, affecting around 1.7 million people, with up to 60 mines suspended.

And speaking of China, coal, and power cuts, Moody's says if China's power cuts are short-lived, then the effects on GDP will be limited ... that's a pretty big 'if'!

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	74.22					CAD	0.8668	0.9177
NZD/USD	0.6946	-0.0003	-0.0008	-0.0020	-0.0059	CHF	0.6441	0.6819
NZD/AUD	0.9445	-0.0005	-0.0015	-0.0034	-0.0087	CNY	4.4802	4.7435
NZD/JPY	78.72	-0.05	-0.17	-0.38	-0.99	DKK	4.4707	4.7334
NZD/EUR	0.6009	-0.0006	-0.0020	-0.0042	-0.0099	FJD	1.4601	1.5458
NZD/GBP	0.5105	-0.0002	-0.0007	-0.0012	-0.0027	HKD	5.4029	5.7203
						KRW	829.84	878.61
AU TWI	61.60					MYR	2.8980	3.0683
AUD/USD	0.7354	0.0001	0.0004	0.0005	0.0005	NOK	5.9538	6.3036
AUD/NZD	1.0588	0.0005	0.0017	0.0038	0.0098	SEK	6.0856	6.4432
AUD/JPY	83.34	-0.01	-0.04	-0.10	-0.29	SGD	0.9412	0.9965
AUD/EUR	0.6362	-0.0003	-0.0011	-0.0021	-0.0047	TWD	19.54	20.69
AUD/GBP	0.5404	0.0000	0.0001	0.0007	0.0022	ZAR	10.4474	11.0612
USD Index	94.33					EQUITIES		
EUR/USD	1.1559	0.0007	0.0025	0.0047	0.0094		Index	
USD/JPY	113.34	-0.03	-0.11	-0.22	-0.47	NZX50	13,019	
GBP/USD	1.3608	0.0000	0.0003	-0.0008	-0.0045	ASX200	7,300	
EUR/GBP	0.8495	0.0005	0.0017	0.0039	0.0097	Dow Jones	34,637	
						S&P 500	4,381	
						FTSE100	7,147	
						DAX 30	15,199	
						Nikkei	28,498	
						COMMODITIES		
							USD	
						Dubai Light	82.09	
						Brent Crude	83.60	
						Gold	1,755.17	
						Silver	22.61	
						CRB Index	250.22	
							NZD	
						NZ Carbon	64.50	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.55%	0.51%	0.01%	0.02%
90 day bank bills	0.69%	0.66%	0.05%	0.01%
FRA 90d in 3mths	1.01%	0.98%	0.11%	0.08%
FRA 180d in 6mths	1.44%	1.41%	0.28%	0.26%
1 year swap	1.15%	1.13%	0.16%	0.12%
2 year swap	1.50%	1.48%	0.46%	0.42%
3 year swap	1.73%	1.70%	0.72%	0.69%
5 year swap	1.98%	1.95%	1.17%	1.07%
10 year swap	2.37%	2.34%	1.84%	1.83%
10 year Govt bond		2.17%		1.72%

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