

# Market Alert

Wednesday 13 October 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6938	-0.0021
NZD/AUD	0.9435	-0.0035
NZD/JPY	78.84	-0.39
NZD/EUR	0.6017	-0.0043
NZD/GBP	0.5104	-0.0013
NZD/CNH	4.4787	0.0546
AUD/USD	0.7354	0.0005
AUD/EUR	0.6377	-0.0021
EUR/USD	1.1531	0.0047
USD/CNH	6.4555	0.0987
GBP/USD	1.3595	-0.0007
EUR/GBP	0.8482	0.0039

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.66%	0.03%
2 year swap	1.53%	0.42%
10 year Govt	2.20%	1.72%

## IMF downgrades

The IMF has revised its global growth outlook for 2021 to 5.9% from the 6.0% forecast in July, citing supply disruptions and worsening pandemic dynamics. The US economy is as seen expanding at 6.0%, below July's 7.0% forecast, and China is projected to grow at 8.0%, 0.1% lower than July's call. For 2022, the world growth forecast was left unchanged at 4.9%

In the US, the year ahead consumer inflation expectations rose to 5.3% in September to record the series' 11th consecutive monthly increase, while the 3 year expectations also increased to 4.2% from 4.0% for its 3rd

consecutive increase. Meanwhile, JOLTS job openings in the US dropped to 10.4 million in August from the all-time high of 11.1 million in July in what was the first monthly decline since December 2020.

There were also a few Central bankers' speeches with the Fed's Raphael Bostic announcing "We are comfortable beginning taper in November as underlying inflation is indeed above committees objective." The Fed's Richard Clarida then added a "Gradual taper concluding mid-2022 may soon be warranted" as the tapering conditions have "all but been met." While the ECB's Francois Villeroy stated "the risk remains that we fall short of 2023 inflation target."

In European releases, the ZEW Indicator of Economic Sentiment for Germany dropped 4.2 points to 22.3 in October 2021, its lowest level since March 2020, while the expectation index fell to 24.0 moving further away from May's 21 year high of 84.4.

With the unwinding of the lockdown restrictions, Australian September business confidence surged 19 points on the month to +13, although Business conditions were a contradiction falling to +5 from August's +14.

Whatever your views of the New Zealand Government, one 'feather-in-their-cap' was net debt, which is at 30.1% of GDP as at the 30 June – well below the 34% forecast. The good news was the budget deficit,

which fell to NZD4.6 billion in the year to June, and was much lower than the NZD15.1 billion shortfall forecast in the May budget and the NZD23.1 billion gap in 2020. Keep on paying taxes, people!

Following on from our comments on Monday about stagflation, well, it appears someone was actually listening, after the Bridgewater CIO stated "The problem is stagflation – that's the real risk, and so many portfolios are massively exposed. The Fed faces certainly, the problem of inflation being well above their target, and the inability to be as easy as they'd like to be, and certainly the increasing odds that we're facing bubbles"

## The overnight action

Even though the US markets were fully open last night, there was a general feeling of pessimism. Equities were slightly weaker, FX markets were steady, and the T-bond is at 1.58%.

There was also an interesting piece from the analysis at Platts stating that the OPEC+ members did not hit their quota increases in September as the 19 members were a combined 570,000 b/d below their allocations.

No wonder the price is going up! Chinese on-shore iron ore also soared to a one-month high of USD129.00, to record a 25% rally in just three weeks.

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	74.17					CAD	0.8650	0.9168
NZD/USD	0.6938	-0.0003	-0.0009	-0.0021	-0.0061	CHF	0.6458	0.6845
NZD/AUD	0.9435	-0.0005	-0.0016	-0.0035	-0.0089	CNY	4.4740	4.7421
NZD/JPY	78.84	-0.05	-0.18	-0.39	-1.02	DKK	4.4770	4.7453
NZD/EUR	0.6017	-0.0006	-0.0021	-0.0043	-0.0101	FJD	1.4575	1.5448
NZD/GBP	0.5104	-0.0002	-0.0008	-0.0013	-0.0029	HKD	5.3994	5.7230
						KRW	831.71	881.56
AU TWI	62.00					MYR	2.8997	3.0735
AUD/USD	0.7354	0.0001	0.0004	0.0005	0.0005	NOK	5.9351	6.2908
AUD/NZD	1.0599	0.0005	0.0018	0.0040	0.0101	SEK	6.0940	6.4592
AUD/JPY	83.57	-0.01	-0.04	-0.10	-0.30	SGD	0.9415	0.9979
AUD/EUR	0.6377	-0.0003	-0.0011	-0.0021	-0.0048	TWD	19.62	20.79
AUD/GBP	0.5409	0.0000	0.0001	0.0007	0.0021	ZAR	10.3786	11.0007
USD Index	94.52					<b>EQUITIES</b>		
EUR/USD	1.1531	0.0007	0.0026	0.0047	0.0094		<b>Index</b>	
USD/JPY	113.64	-0.03	-0.11	-0.22	-0.48	NZX50	12,996	
GBP/USD	1.3595	0.0000	0.0003	-0.0007	-0.0043	ASX200	7,281	
EUR/GBP	0.8482	0.0005	0.0017	0.0039	0.0097	Dow Jones	34,428	
						S&P 500	4,359	
						FTSE100	7,130	
						DAX 30	15,147	
						Nikkei	28,231	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>				
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>			
30 day bank bills		0.55%	0.51%	-0.01%	0.01%			
90 day bank bills		0.69%	0.66%	0.05%	0.01%			
FRA 90d in 3mths		1.02%	0.99%	0.11%	0.08%			
FRA 180d in 6mths		1.49%	1.47%	0.29%	0.27%			
1 year swap		1.17%	1.15%	0.16%	0.14%			
2 year swap		1.54%	1.52%	0.44%	0.39%			
3 year swap		1.76%	1.74%	0.73%	0.71%			
5 year swap		2.00%	1.98%	1.17%	1.11%			
10 year swap		2.37%	2.35%	1.80%	1.79%			
10 year Govt bond			2.18%		1.72%			
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	81.99	
						Brent Crude	83.36	
						Gold	1,759.33	
						Silver	22.54	
						CRB Index	251.22	
							<b>NZD</b>	
						NZ Carbon	64.50	

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