

Market Alert

Thursday 14 October 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6961	-0.0022
NZD/AUD	0.9435	-0.0037
NZD/JPY	78.89	-0.40
NZD/EUR	0.6005	-0.0044
NZD/GBP	0.5098	-0.0013
NZD/CNH	4.4746	0.0537
AUD/USD	0.7378	0.0006
AUD/EUR	0.6365	-0.0021
EUR/USD	1.1591	0.0048
USD/CNH	6.4297	0.0975
GBP/USD	1.3654	-0.0009
EUR/GBP	0.8489	0.0041

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.68%	0.03%
2 year swap	1.54%	0.40%
10 year Govt	2.21%	1.69%

Tapering time

With US inflation edging to a 13 year high of 5.4% in September from 5.3% in August, we shouldn't be surprised that the minutes of the September FOMC meeting showed that officials broadly agreed they should start tapering in mid-November or mid-December as "Participants generally assessed that, provided that the economic recovery remained broadly on track, a gradual tapering process that concluded around the middle of next year would likely be appropriate. Participants noted that if a decision to begin tapering purchases occurred at the next meeting, the process of tapering could commence with the

monthly purchases beginning in either mid-November or mid-December."

Officials discussed how the tapering proceeded stating, "The path features monthly reductions in the pace of asset purchases, by USD10 billion in the case of Treasury securities and USD5 billion in the case of agency mortgage-backed securities."

Meanwhile, prior to the meeting, US Treasury Secretary, Janet Yellen, confirmed again that she "believes inflation is transitory" while Fed member, Tom Barkin, stated, "price rises are being driven by shortages," which tied in with the statement from the minutes that "Various participants stressed that economic conditions were likely to justify keeping the rate at or near its lower bound over the next couple of years."

Initially the US-dollar rallied on the inflation data, and then eased on the Fed minutes as the specific tapering projections highlighted an eagerness to take action that was perceived as more hawkish than originally anticipated. This saw the NZD and AUD make solid gains, and even the EUR rallied! We also saw the T-bond ease off further, to 1.545%, while equity markets were flat.

Australia's Treasurer Frydenberg is expecting Q3 GDP to contract 3%, or more, although he is confident that the economy will bounce back and that an increase in consumption will drive the recovery.

New Zealand business confidence in October remained pessimistic at -8.6,

slightly lower than September's -7.2, although the own activity index improved to 26.2 from 18.2

Japan's Tankan survey highlighted a fall in manufacturing sentiment to its slowest level since April at 6, which was from 18 in September while the service index rose to -1 from -2 prior. Businesses are yet to return to pre-COVID levels, raw material prices are surging although price increases are not being passed on to consumers, and demand for semiconductor-related products remains strong.

China's September trade data highlighted a solid performance from exporters, although imports were weak. In Yuan terms, the trade balance was a CNY433.19bn surplus. On a yearly basis, exports increased +19.9% against an expected 17.1%, while imports grew +10.1% below expectations of 22.3%. In USD terms, the surplus was USD66.73bn.

China property value

Standard Chartered has weighed in on the Evergrande crisis believing the Chinese government won't allow the Evergrande situation to turn into a systemic crisis as, "This idea that this was something of a Lehman moment for China: I don't think China's frankly that dumb." Even Morgan Stanley has upgraded China property to 'attractive' as the default risk is largely priced in!

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	74.18					CAD	0.8656	0.9175
NZD/USD	0.6961	-0.0003	-0.0009	-0.0022	-0.0061	CHF	0.6431	0.6816
NZD/AUD	0.9435	-0.0005	-0.0017	-0.0037	-0.0092	CNY	4.4739	4.7420
NZD/JPY	78.89	-0.05	-0.18	-0.40	-1.04	DKK	4.4680	4.7358
NZD/EUR	0.6005	-0.0006	-0.0021	-0.0044	-0.0102	FJD	1.4570	1.5443
NZD/GBP	0.5098	-0.0002	-0.0007	-0.0013	-0.0028	HKD	5.4138	5.7383
						KRW	830.83	880.63
AU TWI	61.80					MYR	2.8933	3.0667
AUD/USD	0.7378	0.0001	0.0004	0.0006	0.0007	NOK	5.9148	6.2693
AUD/NZD	1.0599	0.0005	0.0019	0.0041	0.0104	SEK	6.0531	6.4159
AUD/JPY	83.62	-0.01	-0.04	-0.10	-0.29	SGD	0.9416	0.9980
AUD/EUR	0.6365	-0.0003	-0.0011	-0.0021	-0.0047	TWD	19.52	20.69
AUD/GBP	0.5403	0.0001	0.0002	0.0008	0.0023	ZAR	10.3060	10.9237
USD Index	94.09					EQUITIES		
EUR/USD	1.1591	0.0007	0.0026	0.0048	0.0097		Index	
USD/JPY	113.35	-0.03	-0.12	-0.22	-0.50	NZX50	13,025	
GBP/USD	1.3654	0.0000	0.0003	-0.0009	-0.0044	ASX200	7,273	
EUR/GBP	0.8489	0.0005	0.0018	0.0041	0.0099	Dow Jones	34,368	
						S&P 500	4,359	
						FTSE100	7,142	
						DAX 30	15,249	
						Nikkei	28,140	
						COMMODITIES		
							USD	
						Dubai Light	81.26	
						Brent Crude	83.20	
						Gold	1,791.33	
						Silver	23.03	
						CRB Index	250.70	
							NZD	
						NZ Carbon	64.85	

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	0.70%	0.66%	0.05%	0.01%
FRA 90d in 3mths	1.04%	1.01%	0.10%	0.07%
FRA 180d in 6mths	1.53%	1.50%	0.27%	0.25%
1 year swap	1.19%	1.17%	0.14%	0.13%
2 year swap	1.56%	1.53%	0.41%	0.38%
3 year swap	1.76%	1.74%	0.69%	0.66%
5 year swap	1.98%	1.96%	1.13%	1.07%
10 year swap	2.30%	2.28%	1.76%	1.75%
10 year Govt bond		2.19%		1.69%

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