

Market Alert

Friday 15 October 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7029	-0.0022
NZD/AUD	0.9476	-0.0037
NZD/JPY	79.88	-0.41
NZD/EUR	0.6060	-0.0044
NZD/GBP	0.5136	-0.0013
NZD/CNH	4.5225	0.0519
AUD/USD	0.7417	0.0006
AUD/EUR	0.6395	-0.0022
EUR/USD	1.1598	0.0048
USD/CNH	6.4354	0.0944
GBP/USD	1.3687	-0.0008
EUR/GBP	0.8474	0.0040

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.69%	0.03%
2 year swap	1.58%	0.38%
10 year Govt	2.20%	1.63%

Let the deputies speak

US initial claims fell to 293,000 last week, the lowest level since the pandemic hit the US economy in March 2020 and well below market expectations of 319,000 while continuing claims eased to 2,593,000. US producer prices rose but at a slower rate, up 0.5% on the month, in what was the index's smallest increase so far this year, and +8.6% on an annualised basis, which was an increase on August's +8.3%.

Let's be honest, those releases didn't really make one iota of difference because equities were on fire last night — a sea of

green — after US banking profits exceeded forecasts. Who would have thunk it with all that cheap money around! This positivity saw 'risk' embraced, which saw the NZD and AUD both pop out of their short-term ranges ... heck, even the EUR rallied! Furthermore, the 10 year treasury yield slid further, falling to the 1.515% level.

RBNZ Deputy Governor, Geoff Bascand, spoke yesterday warning that the RBNZ needs "to take action to ensure regulated financial institutions' balance sheets are resilient to future stresses in the economy and financial system. We remain in a state of heightened uncertainty; COVID-19 still poses risks to the economic recovery and we assess that house prices are at an unsustainable level. Institutions should avoid being over-exposed to vulnerabilities that could arise from excessive debt in the household or business sectors."

While the Australian consumer inflation expectations eased in October to 3.6% from 4.4%, employment fell by 138,000 against an expected 120,000 fall. This saw the unemployment rate increase to 4.6% from 4.5%, while the participation rate eased to 64.5% from 65.2%. In amongst the detail, full-time workers increased 26,700 while part-time workers fell by 164,700. The employment numbers followed on from a speech by the RBA Deputy Governor, Guy Debelle, where he stated "Australia's circumstances are different from countries where policy is tightening. While the

employment market is positive, there is not much improvement on the wage front with very few workers getting pay rises above 2%. We are not seeing much impact on prices from supply constraints as yet."

Japanese August final industrial production contracted 3.6% on the month against the preliminarily 3.2% print. Meanwhile, Japan's State Minister, Kozo Yamamoto, stated "a weak yen is beneficial for the economy, boosts competitiveness," while BoJ member Asahi Noguchi believes "the economy is picking up, supported by overseas economies" and, "a reduction in monetary easing is not an option for Japan," and "additional easing may be necessary if labour market does not improve."

PBOC Governor, Yi Gang, said monetary policy will be "prudent, flexible, targeted, reasonable, and appropriate." He also stated inflation had moderated after September's annualised CPI printed at 0.7%, which was weaker than the expected 0.9%, while producer prices increased 10.7% against an expected 10.5% increase.

The Singaporean Monetary Authority, which manages the exchange rate as its main monetary tool, increased the slope of its currency band Thursday "slightly" from 0.0% allowing the SGD to appreciate against its peers. This saw the SGD rally 0.3%.

Stay safe, enjoy the sun, 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	74.83					CAD	0.8694	0.9175
NZD/USD	0.7029	-0.0003	-0.0009	-0.0022	-0.0063	CHF	0.6488	0.6847
NZD/AUD	0.9476	-0.0005	-0.0017	-0.0037	-0.0094	CNY	4.5256	4.7761
NZD/JPY	79.88	-0.05	-0.18	-0.41	-1.07	DKK	4.5086	4.7581
NZD/EUR	0.6060	-0.0006	-0.0021	-0.0044	-0.0105	FJD	1.4586	1.5393
NZD/GBP	0.5136	-0.0002	-0.0008	-0.0013	-0.0031	HKD	5.4664	5.7689
						KRW	833.97	880.13
AU TWI	62.10					MYR	2.9152	3.0766
AUD/USD	0.7417	0.0001	0.0004	0.0006	0.0007	NOK	5.9407	6.2695
AUD/NZD	1.0554	0.0005	0.0019	0.0041	0.0106	SEK	6.0715	6.4075
AUD/JPY	84.29	-0.01	-0.04	-0.10	-0.29	SGD	0.9477	1.0002
AUD/EUR	0.6395	-0.0003	-0.0011	-0.0022	-0.0048	TWD	19.76	20.85
AUD/GBP	0.5419	0.0001	0.0002	0.0007	0.0021	ZAR	10.3848	10.9596
USD Index	93.99					EQUITIES		
EUR/USD	1.1598	0.0007	0.0026	0.0048	0.0098		Index	
USD/JPY	113.65	-0.02	-0.12	-0.22	-0.50	NZX50	13,048	
GBP/USD	1.3687	0.0000	0.0003	-0.0008	-0.0041	ASX200	7,312	
EUR/GBP	0.8474	0.0005	0.0017	0.0040	0.0097	Dow Jones	34,909	
						S&P 500	4,439	
						FTSE100	7,208	
						DAX 30	15,463	
						Nikkei	28,551	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.55%	0.51%	0.00%	0.02%	Dubai Light	82.13	
90 day bank bills		0.71%	0.68%	0.05%	0.01%	Brent Crude	84.11	
FRA 90d in 3mths		1.05%	1.02%	0.10%	0.07%	Gold	1,798.53	
FRA 180d in 6mths		1.55%	1.52%	0.25%	0.23%	Silver	23.56	
1 year swap		1.22%	1.20%	0.14%	0.12%	CRB Index	250.53	
2 year swap		1.59%	1.57%	0.39%	0.37%		NZD	
3 year swap		1.79%	1.77%	0.68%	0.66%	NZ Carbon	64.80	
5 year swap		2.00%	1.97%	1.13%	1.07%			
10 year swap		2.30%	2.28%	1.71%	1.70%			
10 year Govt bond			2.19%		1.63%			

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