

Market Alert

Monday 18 October 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7064	-0.0022
NZD/AUD	0.9521	-0.0037
NZD/JPY	80.72	-0.41
NZD/EUR	0.6093	-0.0044
NZD/GBP	0.5137	-0.0013
NZD/CNH	4.5434	0.0526
AUD/USD	0.7420	0.0006
AUD/EUR	0.6399	-0.0022
EUR/USD	1.1594	0.0049
USD/CNH	6.4323	0.0944
GBP/USD	1.3753	-0.0008
EUR/GBP	0.8430	0.0040

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.70%	0.03%
2 year swap	1.65%	0.46%
10 year Govt	2.26%	1.65%

All the news ... apart from 'Super Saturday'

The US consumer is proving to be remarkably resistant after retail sales unexpectedly increased 0.7% in September, which beat market forecasts of a -0.2% contraction and followed on from an upwardly revised 0.9% surge in August. Conversely, the University of Michigan's consumer sentiment index fell to 71.4 in October from 72.8 in September and was below market forecasts of 73.1

A report via the Peterson Institute for International Economics announced that "While supply disruptions, pent up demand,

and higher household savings have pushed 12 month core Personal Consumption Expenditure (PCE) inflation to its highest rate since the early 1990s, inflation and wage growth data do not suggest the spike will be enduring, and high inflation will not persist beyond 2022" but it is likely to remain higher than the FOMC anticipates "leading to more aggressive monetary policy tightening, including an interest rate hike in 2022 and three or more in 2023.

Patrick Harker, President and CEO of the Philadelphia Fed, stated he "expects GDP growth to come in around 5.5% for 2021 and 3.5% in 2022. Wouldn't expect any interest rate hikes until late 2022 or early 2023, unless the inflation picture changes dramatically. Expect inflation to come in at 4% for 2021 before coming down to a bit over 2% next year."

ECB President, Christine Lagarde, while speaking at the IMF, rolled out the standard, "Inflation is largely transitory," although she then moved on to its post COVID-19 bond programme stating "Once the pandemic emergency comes to an end, which is drawing closer, our forward guidance on rates as well as asset purchases will ensure that monetary policy remains supportive of the timely attainment of our target." You may recall that during COVID-19, the ECB rolled out a EUR1.85 trillion emergency scheme. That program is due to end in March and the ECB is already studying a new bond buying program to prevent any market turmoil as it transition's to a new, post-pandemic stimulus programme.

BusinessNZ Manufacturing PMI for September bounced back into expansionary territory hitting 51.4 from August's 40.1, although there were some warnings as, "prior to the lockdown, the PMI averaged close to 60 since the start of 2021. In addition, the proportion of negative comments from respondents remains high at 71%".

PBoC official, Zou Lan, announced that risks to the financial system from Evergrande Group are "controllable" and unlikely to spread, while urging banks to keep lending to the embattled real estate sector. Chinese regulators have also loosened on-shore mortgage rules to encourage more lending while they have also told the major banks to accelerate the mortgage approval process.

So, what did the markets do?

Equity markets rallied as investors piled back into economically sensitive cyclical stocks after more strong earnings reports and an upbeat surprise in retail trade data. Commodities also returned to favour, although bond selling saw the US 2 year yield pop to the 0.40% level while the 10-year clawed back to the 1.57% level. The NZD and AUD both consolidated their gains, while the NZD/AUD popped back to 0.9520.

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	75.19					CAD	0.8744	0.9184
NZD/USD	0.7064	-0.0002	-0.0008	-0.0022	-0.0063	CHF	0.6529	0.6857
NZD/AUD	0.9521	-0.0005	-0.0017	-0.0037	-0.0094	CNY	4.5451	4.7737
NZD/JPY	80.72	-0.05	-0.18	-0.41	-1.09	DKK	4.5331	4.7612
NZD/EUR	0.6093	-0.0006	-0.0021	-0.0044	-0.0106	FJD	1.4741	1.5482
NZD/GBP	0.5137	-0.0002	-0.0007	-0.0013	-0.0031	HKD	5.5013	5.7780
						KRW	836.20	878.27
AU TWI	62.40					MYR	2.9329	3.0804
AUD/USD	0.7420	0.0001	0.0004	0.0006	0.0007	NOK	5.9499	6.2492
AUD/NZD	1.0503	0.0005	0.0018	0.0041	0.0105	SEK	6.0903	6.3967
AUD/JPY	84.78	-0.01	-0.04	-0.10	-0.31	SGD	0.9523	1.0002
AUD/EUR	0.6399	-0.0003	-0.0011	-0.0022	-0.0049	TWD	19.74	20.73
AUD/GBP	0.5395	0.0001	0.0002	0.0007	0.0022	ZAR	10.3310	10.8508
USD Index	93.94					EQUITIES		
EUR/USD	1.1594	0.0007	0.0027	0.0049	0.0101		Index	
USD/JPY	114.26	-0.03	-0.12	-0.23	-0.53	NZX50	13,012	
GBP/USD	1.3753	0.0000	0.0003	-0.0008	-0.0041	ASX200	7,362	
EUR/GBP	0.8430	0.0005	0.0017	0.0040	0.0099	Dow Jones	35,295	
						S&P 500	4,471	
						FTSE100	7,234	
						DAX 30	15,587	
						Nikkei	29,069	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.55%	0.51%	0.01%	0.02%	Dubai Light	82.70	
90 day bank bills		0.72%	0.69%	0.05%	0.01%	Brent Crude	84.86	
FRA 90d in 3mths		1.06%	1.03%	0.11%	0.08%	Gold	1,767.44	
FRA 180d in 6mths		1.58%	1.55%	0.31%	0.30%	Silver	23.30	
1 year swap		1.24%	1.22%	0.17%	0.15%	CRB Index	254.32	
2 year swap		1.66%	1.64%	0.47%	0.45%		NZD	
3 year swap		1.86%	1.84%	0.77%	0.76%	NZ Carbon	64.80	
5 year swap		2.06%	2.04%	1.18%	1.13%			
10 year swap		2.36%	2.34%	1.78%	1.77%			
10 year Govt bond			2.24%		1.65%			

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