

Market Alert

Tuesday 19 October 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7082	-0.0027
NZD/AUD	0.9550	-0.0042
NZD/JPY	80.91	-0.47
NZD/EUR	0.6099	-0.0049
NZD/GBP	0.5159	-0.0012
NZD/CNH	4.5520	0.0504
AUD/USD	0.7416	0.0005
AUD/EUR	0.6388	-0.0023
EUR/USD	1.1610	0.0049
USD/CNH	6.4280	0.0957
GBP/USD	1.3728	-0.0020
EUR/GBP	0.8457	0.0048

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.77%	0.03%
2 year swap	2.00%	0.62%
10 year Govt	2.41%	1.74%

Captain Blackadder

This is a crisis. A large crisis. And a large crisis requires a large plan. Right, Baldrick, get me two pencils and a pair of underpants ... this is an old trick I picked up in the Sudan!

The stand-out performer last night was Statistics New Zealand because they announced Q3 CPI soared +2.2% when a modest +1.4% was expected while, on an annualised basis, the +4.9% print was a substantial increase on the previous +3.3% and even above the +4.1% forecast! And while the headlines supported the local

hiking cycle, with November now pricing in a 56% chance of a 50 bps hike and February pricing in a 76% possibility of 3 hikes, the RBNZ's own core inflation data measured annual core inflation at 'just' 2.7%. From a New Zealand perspective, there was further 'positive' news with the September services PMI increasing to a still contractionary 46.9 from 35.6, although the "subdued new orders warn against expecting too much of a bounce in coming months," but, unlike New Zealand, the international data was mixed at best!

US industrial production collapsed -1.3% September, which followed on from a revised -0.1% fall in August, with about 0.6% of the drop a direct result from Hurricane Ida. Of the inputs, manufacturing output decreased 0.7%, as the production of motor vehicles and parts slumped 7.2% due to shortages of semiconductors, while capacity utilisation fell to 75.2% from 76.4%. Conversely, the NAHB housing market index recorded its largest monthly increase since last November as the index rose 4 points to 80 in October.

Meanwhile, Chinese Q3 GDP increased just +0.2% on the quarter and +4.9% on the year, against forecasts of +0.5% and +5.2%. Furthermore, industrial production fell to +3.1% on the year from +5.3% when +4.5% was expected, although, on the positive side, retail sales jumped +4.4% on the year and the unemployment rate fell to 4.9% from the

expected 5.1%. Fixed asset investments increased +7.3% year-to-date, so I guess no-one was investing in Evergrande!

In the Eurozone, a survey of 54 economists forecast the economy will expand 5.0% in 2021, 4.3% in 2022 and 2.1% in 2023 as the projections didn't factor in any lasting effects from the recent energy price shocks.

Finally, UK house prices increased +1.8% in October and +6.5% on the year.

I see red

European equity markets traded in the red, while US bourses struggle to retain a positive foothold, amid global inflation worries due to a rally in energy prices and supply chain bottlenecks, while the weaker-than-expected Chinese GDP data raised concerns over slowing global growth.

Sovereign bonds also plunged on Monday, as traders reacted to the prospect of higher interest rates by selling government debt. This saw the 10 year yield in China surge to a 3 month high at 3.04%, the bund hit -0.15%, and the T-bond firm to 1.58%. Interestingly, while the NZ CPI data saw the NZD surge in the opening session, the Chinese data provided a handbrake with the bird only showing modest gains this morning, while the AUD was mixed.

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	75.40					CAD	0.8764	0.9177
NZD/USD	0.7082	-0.0002	-0.0009	-0.0027	-0.0081	CHF	0.6538	0.6846
NZD/AUD	0.9550	-0.0004	-0.0017	-0.0042	-0.0112	CNY	4.5533	4.7681
NZD/JPY	80.91	-0.04	-0.19	-0.47	-1.31	DKK	4.5384	4.7525
NZD/EUR	0.6099	-0.0005	-0.0022	-0.0049	-0.0121	FJD	1.4774	1.5471
NZD/GBP	0.5159	-0.0001	-0.0007	-0.0012	-0.0032	HKD	5.5081	5.7679
						KRW	841.08	880.76
AU TWI	62.30					MYR	2.9430	3.0818
AUD/USD	0.7416	0.0001	0.0004	0.0005	0.0002	NOK	5.9685	6.2500
AUD/NZD	1.0472	0.0004	0.0019	0.0046	0.0124	SEK	6.1376	6.4271
AUD/JPY	84.74	-0.01	-0.05	-0.12	-0.38	SGD	0.9554	1.0004
AUD/EUR	0.6388	-0.0003	-0.0012	-0.0023	-0.0053	TWD	19.84	20.77
AUD/GBP	0.5402	0.0001	0.0003	0.0011	0.0030	ZAR	10.3908	10.8809
USD Index	93.94					EQUITIES		
EUR/USD	1.1610	0.0007	0.0027	0.0049	0.0100		Index	
USD/JPY	114.26	-0.03	-0.12	-0.24	-0.55	NZX50	12,999	
GBP/USD	1.3728	-0.0001	-0.0001	-0.0020	-0.0071	ASX200	7,381	
EUR/GBP	0.8457	0.0006	0.0020	0.0048	0.0118	Dow Jones	35,218	
						S&P 500	4,481	
INTEREST RATES		New Zealand		Australia		FTSE100	7,204	
		Borrow	Invest	Borrow	Invest	DAX 30	15,474	
30 day bank bills		0.65%	0.62%	0.00%	0.02%	Nikkei	29,025	
90 day bank bills		0.79%	0.75%	0.05%	0.01%	COMMODITIES		
FRA 90d in 3mths		1.28%	1.25%	0.16%	0.14%		USD	
FRA 180d in 6mths		1.96%	1.89%	0.46%	0.44%	Dubai Light	82.94	
1 year swap		1.53%	1.51%	0.25%	0.23%	Brent Crude	84.23	
2 year swap		2.01%	1.99%	0.62%	0.61%	Gold	1,765.54	
3 year swap		2.20%	2.18%	0.95%	0.94%	Silver	23.22	
5 year swap		2.33%	2.31%	1.34%	1.27%	CRB Index	254.32	
10 year swap		2.52%	2.50%	1.85%	1.84%		NZD	
10 year Govt bond			2.39%		1.74%	NZ Carbon	64.75	

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