

Market Alert

Wednesday 20 October 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7157	-0.0024
NZD/AUD	0.9572	-0.0040
NZD/JPY	81.79	-0.44
NZD/EUR	0.6149	-0.0046
NZD/GBP	0.5187	-0.0011
NZD/CNH	4.5621	0.0524
AUD/USD	0.7477	0.0006
AUD/EUR	0.6424	-0.0022
EUR/USD	1.1639	0.0049
USD/CNH	6.3747	0.0952
GBP/USD	1.3798	-0.0019
EUR/GBP	0.8435	0.0047

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.76%	0.04%
2 year swap	1.96%	0.55%
10 year Govt	2.41%	1.73%

Up, up, and away

Locally, the story is all about New Zealand interest rates, with the curve exploding. And right on cue, the local banks are buying into it with rhetoric along the lines of the RBNZ is 'behind the curve on its rate hikes' citing the soaring CPI release and an 'exceptionally tight' labour market that will eventually add to wage inflation. Well, we're all going to need pay rises to afford those mortgage rate re-sets!

We also had the GDT auction overnight, which produced a solid result with the main index up 2.2% as Chinese buyers

returned to the market. To add to the positivity, all of the products rose, with butter up 4.7% and WMP increasing 1.5%.

The surge in interest rates, the GDT auction, and supportive equity markets, saw the NZD continue to climb overnight. Interestingly, the NZD/USD smashed resistance around the 0.7080-0.7115 level to open up an extension into a new, higher range, where it could consolidate before the market targets a 0.7200 handle. The NZD also made gains on the crosses as it outperformed the AUD, EUR, and the JPY.

Looking at the opposite side of the coin, yes, that's Australia we're talking about, the RBA minutes were quite dovish. Unsurprisingly, the RBA is forecasting economic growth returning in Q4 as the lockdowns are unwound, although the central bank is only seeing 'moderate' inflationary pressures and little indication of sustainable wage growth. Interestingly, the minutes did make specific mention that it is not seeking to cool the local housing market via higher rates, as a "*less accommodative monetary policy would, all else being equal, see lower housing prices and credit growth but it would also result in fewer jobs and lower wages growth.*" Any measures to combat a surging housing market would then have to be of a macroprudential nature. And of course, there was the old favourite, namely conditions for a rate hike will not be present until 2024 at the earliest. Ho-hum.

US housing starts unexpectedly fell by -1.6% while building permits dropped 7.7% to their lowest level in a year as high costs for building materials, supply constraints, and labour shortages weighed.

Finally, the Atlanta Fed GDP forecaster has hit a new low forecasting Q3 at just +0.5% ahead of next week's release.

Goldman Sachs and JP Morgan are forecasting the BoE will hike rates in November and February, with Goldman also calling for a hike in May.

It's a bit of a doozie, but Chinese authorities have instructed power plants to start stockpiling coal. And given the flooding to their main mining region, it may be time that they looked at importing some from Australia!

Targeting all time highs

Equity markets extended their recent rallies, buoyed by positive corporate results with indexes looking to attack all-time highs in the lead-up to Christmas.

Commodities also made solid gains as Brent eased past the USD85.00 level and gas spiked 1.9% as Russia signalled it may limit supply to Europe. These moves also supported bond selling, which saw 10 year yields spike with the T-bund at 1.63% and the bund at -0.11%.

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	75.84					CAD	0.8845	0.9240
NZD/USD	0.7157	-0.0002	-0.0009	-0.0024	-0.0079	CHF	0.6602	0.6897
NZD/AUD	0.9572	-0.0004	-0.0017	-0.0040	-0.0109	CNY	4.5677	4.7719
NZD/JPY	81.79	-0.04	-0.18	-0.44	-1.27	DKK	4.5750	4.7796
NZD/EUR	0.6149	-0.0005	-0.0022	-0.0046	-0.0119	FJD	1.4916	1.5582
NZD/GBP	0.5187	-0.0001	-0.0006	-0.0011	-0.0030	HKD	5.5648	5.8136
						KRW	843.60	881.33
AU TWI	62.50					MYR	2.9606	3.0929
AUD/USD	0.7477	0.0001	0.0004	0.0006	0.0004	NOK	5.9782	6.2455
AUD/NZD	1.0447	0.0004	0.0018	0.0044	0.0121	SEK	6.1682	6.4440
AUD/JPY	85.45	-0.01	-0.04	-0.10	-0.35	SGD	0.9624	1.0054
AUD/EUR	0.6424	-0.0003	-0.0011	-0.0022	-0.0051	TWD	19.93	20.82
AUD/GBP	0.5419	0.0001	0.0003	0.0012	0.0031	ZAR	10.3938	10.8585
USD Index	93.74					EQUITIES		
EUR/USD	1.1639	0.0007	0.0027	0.0049	0.0099		Index	
USD/JPY	114.30	-0.02	-0.11	-0.23	-0.53	NZX50	13,066	
GBP/USD	1.3798	-0.0001	0.0000	-0.0019	-0.0072	ASX200	7,375	
EUR/GBP	0.8435	0.0005	0.0019	0.0047	0.0117	Dow Jones	35,413	
						S&P 500	4,513	
						FTSE100	7,218	
						DAX 30	15,516	
						Nikkei	29,216	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.58%	0.55%	0.00%	0.02%	Dubai Light	82.50	
90 day bank bills		0.78%	0.74%	0.06%	0.02%	Brent Crude	84.96	
FRA 90d in 3mths		1.24%	1.21%	0.12%	0.09%	Gold	1,770.37	
FRA 180d in 6mths		1.92%	1.91%	0.36%	0.34%	Silver	23.66	
1 year swap		1.46%	1.44%	0.20%	0.18%	CRB Index	252.86	
2 year swap		1.97%	1.95%	0.56%	0.55%		NZD	
3 year swap		2.17%	2.15%	0.87%	0.86%	NZ Carbon	65.00	
5 year swap		2.32%	2.29%	1.27%	1.26%			
10 year swap		2.52%	2.49%	1.89%	1.88%			
10 year Govt bond			2.39%		1.73%			

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