

# Market Alert

Tuesday 26 October 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7169	-0.0025
NZD/AUD	0.9565	-0.0040
NZD/JPY	81.50	-0.46
NZD/EUR	0.6173	-0.0048
NZD/GBP	0.5207	-0.0014
NZD/CNH	4.5757	0.0498
AUD/USD	0.7496	0.0005
AUD/EUR	0.6455	-0.0023
EUR/USD	1.1613	0.0050
USD/CNH	6.3830	0.0923
GBP/USD	1.3770	-0.0012
EUR/GBP	0.8433	0.0044

  

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.74%	0.04%
2 year swap	1.98%	0.60%
10 year Govt	2.50%	1.79%

## The slightly pessimistic news

Great to enjoy a national holiday ... but the scenery looked pretty familiar in my front room!

Looking at the overnight news, the data releases were a little pessimistic after the Chicago Fed national activity index highlighted US economic growth lost momentum for a second consecutive month, easing to -0.13 in September from +0.05 in August. The Dallas' Fed's general business activity index for manufacturing in Texas rose by 10 points to +14.6 in October, which was stronger than the previous month's 14-month low of +4.6, although the production

index, a key measure of manufacturing conditions, fell 5.9 points to +18.3. There was also a similar theme of pessimism from Germany after the Ifo business climate index fell to its lowest level since April, dropping to 97.7 in October, and slightly below market expectations of 97.9, as supply bottlenecks continued to weigh. Furthermore, expectations for the coming months were significantly more pessimistic while companies' assessments of their 'current situation' were also less positive.

BoE member and Professor in Economics at the London School of Economics, Silvana Teneyro, announced, *"There's little the BOE can do to affect some short-term inflation drivers. Domestic cost pressures will depend on the evolution of the labour market now that the furlough scheme has ended. Effects of supply chain disruption should also be temporary, but speed of rotation back to normal is the key uncertainty."*

And, for those who missed it on Friday the RBA Governor, Philip Lowe, sees inflation as transitory because *"The RBA is closely watching a spike in inflation,"* although he, *"does not think the rise would be sustained unless it led to sustainably higher wages growth."*

Ahead of next week's FOMC meeting, where the Fed is widely expected to begin tapering of its massive bond-buying program, traders of short-term interest-rate derivatives appear to be piling back into bets about the timing of the Federal Reserve's first monetary policy tightening

as trading volumes of Eurodollar futures and options topped their 20 day average levels on Friday. In saying that though, the bond markets are a little more pessimistic after the US 2-year yield eased 3.7 bps lower to 0.427% while the 10-year flatlined at 1.635%

In other market news, equity markets made modest gains, as did most commodities although oil gave back some of its recent gains after the Russian oil minister stated he expects demand to ease back to 2019 levels in 2022. Currencies were largely quiet, flatlining with last week's closes.

## Just a thought ...

Now here's something for you to think about, Auntie J., ... South Korea's Vice Finance Minister has announced he will cut taxes to ease the burden on consumers in response to surging prices. That would definitely ease some of the inflationary pressures in our pipeline...

Mastercard will allow banks to offer cryptocurrency rewards on their credit and debit cards as part of the payment network's recent embrace of digital currencies.

Nissan Motor will slash planned global production for October and November by 30%, no doubt due to semiconductor shortages.

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	75.92					CAD	0.8878	0.9282
NZD/USD	0.7169	-0.0003	-0.0010	-0.0025	-0.0079	CHF	0.6592	0.6892
NZD/AUD	0.9565	-0.0005	-0.0018	-0.0040	-0.0109	CNY	4.5777	4.7861
NZD/JPY	81.50	-0.05	-0.20	-0.46	-1.30	DKK	4.5922	4.8012
NZD/EUR	0.6173	-0.0006	-0.0023	-0.0048	-0.0122	FJD	1.4811	1.5485
NZD/GBP	0.5207	-0.0002	-0.0008	-0.0014	-0.0037	HKD	5.5724	5.8261
						KRW	837.47	875.60
AU TWI	62.60					MYR	2.9706	3.1059
AUD/USD	0.7496	0.0001	0.0004	0.0005	0.0003	NOK	5.9896	6.2623
AUD/NZD	1.0455	0.0006	0.0020	0.0044	0.0120	SEK	6.1709	6.4518
AUD/JPY	85.22	-0.01	-0.04	-0.12	-0.39	SGD	0.9657	1.0096
AUD/EUR	0.6455	-0.0003	-0.0012	-0.0023	-0.0055	TWD	19.93	20.84
AUD/GBP	0.5444	0.0001	0.0002	0.0008	0.0023	ZAR	10.5412	11.0212
USD Index	93.82					<b>EQUITIES</b>		
EUR/USD	1.1613	0.0007	0.0027	0.0050	0.0104		<b>Index</b>	
USD/JPY	113.69	-0.02	-0.12	-0.23	-0.57	NZX50	13,093	
GBP/USD	1.3770	0.0000	0.0002	-0.0012	-0.0052	ASX200	7,441	
EUR/GBP	0.8433	0.0005	0.0018	0.0044	0.0108	Dow Jones	35,753	
						S&P 500	4,569	
						FTSE100	7,223	
						DAX 30	15,599	
						Nikkei	28,600	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		<b>COMMODITIES</b>		
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>		<b>USD</b>	
30 day bank bills		0.60%	0.56%	0.01%	0.02%	Dubai Light	82.87	
90 day bank bills		0.76%	0.72%	0.06%	0.02%	Brent Crude	85.72	
FRA 90d in 3mths		1.21%	1.18%	0.15%	0.12%	Gold	1,807.64	
FRA 180d in 6mths		1.95%	1.92%	0.38%	0.37%	Silver	24.57	
1 year swap		1.48%	1.46%	0.22%	0.21%	CRB Index	252.63	
2 year swap		1.99%	1.97%	0.62%	0.59%		<b>NZD</b>	
3 year swap		2.21%	2.19%	0.95%	0.92%	NZ Carbon	65.20	
5 year swap		2.39%	2.37%	1.39%	1.35%			
10 year swap		2.59%	2.57%	1.90%	1.88%			
10 year Govt bond			2.48%		1.79%			

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