

# Market Alert

Thursday 28 October 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7177	-0.0028
NZD/AUD	0.9538	-0.0040
NZD/JPY	81.67	-0.50
NZD/EUR	0.6181	-0.0050
NZD/GBP	0.5219	-0.0015
NZD/CNH	4.5850	0.0473
AUD/USD	0.7524	0.0002
AUD/EUR	0.6481	-0.0026
EUR/USD	1.1610	0.0050
USD/CNH	6.3897	0.0914
GBP/USD	1.3751	-0.0015
EUR/GBP	0.8443	0.0045

  

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.77%	0.04%
2 year swap	2.16%	0.91%
10 year Govt	2.60%	1.81%

## Yesterday it was all about our old, familiar friend ...

Inflation, only this time the story was based in Australia!

And while the headline Australian CPI prints came out in line with expectations, at 0.8% for the quarter and 3.0% for the year, the core inflation measures created a scandal as they exceeded expectations.

The trimmed mean hit its highest level since 2015, at 0.7% and 2.1% against expectations at 0.5% and 1.8%, while the weighted median was at 0.7% and 2.1% when just 0.5% and 1.9% was expected. So, with the 'core' measures implying that

inflationary pressures are potentially more "imbedded" than previously thought, it has placed a greater focus on what is, and what isn't transitory. In saying that, Australian wage growth remains unimpressive, and while policymakers have maintained that 2024 is the earliest that they would be targeting any rate hikes, more surprises like this inflation print will keep the pressure on the RBA.

Regardless of the transitory debate, the fixed income markets took the core prints to heart and, as in New Zealand last week, the swaps market rallied strongly. The 3-year swap rallied 25bps to 1.32%, compared to just 0.40% a month ago, while the OIS market has increased its August 2022 cash rate pricing from fully pricing in a hike to 0.25%, to now showing an 80% chance the rate will be at 0.50%! The release also supported the AUD and NZD in the currency markets, although the general weakness in equity markets capped their progress. Commodities were also weaker, as energy prices eased, while the US 10-year Treasury yield crashed to 1.52% (down 8bps overnight).

The BoC also caught a few market traders out last night when they announced an end to their bond buying programme, moving into a 'reinvestment' phase during which they will purchase Canadian Government bonds solely to replace maturing bonds.

The central bank also suggested interest rate increases could start sooner than

previously expected, possibly as early as Q2 2022, "although the very unusual challenges of reopening an economy make this timing more uncertain than usual."

Yesterday, New Zealand business confidence in October fell to -13.4, which was considerably lower than September's -7.2, although there was some positivity as the own activity outlook improved to 21.7, from 18.2, as "inflation expectations jumped almost half a percent to 3.45%."

Germany's November GfK consumer confidence surged to 0.9 against its -0.5 forecast, improving for a second month running despite rising inflationary pressures as "German citizens seem to be expecting even more price hikes, which is why they consider it prudent to make purchases now to avoid even higher prices later." The Germany September import price index also rose to 1.3% as rising cost pressures continue to reaffirm the trend of higher prices in general across the German and euro area economy.

Chinese industrial profits increased 16.3% in the year to September from the previous 10.1% due to "Strong profit rises in mining and raw materials industries." China Telecom's US subsidiary has been given 60 days to discontinue its US services after operating there for nearly 20 years.

Stay safe, save your water before the Government gets it, and hey, let's be careful out there!



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# Daily Rates

Thursday 28 October 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.98					CAD	0.8859	0.9288
NZD/USD	0.7177	-0.0003	-0.0011	-0.0028	-0.0087	CHF	0.6582	0.6901
NZD/AUD	0.9538	-0.0005	-0.0018	-0.0040	-0.0100	CNY	4.5869	4.8090
NZD/JPY	81.67	-0.05	-0.21	-0.50	-1.44	DKK	4.5985	4.8212
NZD/EUR	0.6181	-0.0006	-0.0024	-0.0050	-0.0129	FJD	1.4841	1.5560
NZD/GBP	0.5219	-0.0002	-0.0009	-0.0015	-0.0040	HKD	5.5811	5.8514
						KRW	839.90	880.58
AU TWI	63.00					MYR	2.9628	3.1063
AUD/USD	0.7524	0.0001	0.0003	0.0002	-0.0012	NOK	6.0284	6.3204
AUD/NZD	1.0484	0.0005	0.0020	0.0044	0.0111	SEK	6.1460	6.4436
AUD/JPY	85.63	-0.01	-0.06	-0.17	-0.62	SGD	0.9674	1.0142
AUD/EUR	0.6481	-0.0003	-0.0013	-0.0026	-0.0068	TWD	19.87	20.83
AUD/GBP	0.5472	0.0001	0.0001	0.0007	0.0015	ZAR	10.7904	11.3131
USD Index	93.80					<b>EQUITIES</b>		
EUR/USD	1.1610	0.0007	0.0028	0.0050	0.0105		<b>Index</b>	
USD/JPY	113.81	-0.02	-0.12	-0.25	-0.64	NZX50	13,020	
GBP/USD	1.3751	0.0000	0.0002	-0.0015	-0.0060	ASX200	7,449	
EUR/GBP	0.8443	0.0005	0.0019	0.0045	0.0114	Dow Jones	35,654	
						S&P 500	4,578	
						FTSE100	7,253	
						DAX 30	15,706	
						Nikkei	29,098	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	82.57	
						Brent Crude	84.56	
						Gold	1,798.16	
						Silver	24.16	
						CRB Index	256.36	
							<b>NZD</b>	
						NZ Carbon	65.10	

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.63%	0.59%	0.01%	0.02%
90 day bank bills	0.79%	0.75%	0.06%	0.02%
FRA 90d in 3mths	1.28%	1.25%	0.24%	0.21%
FRA 180d in 6mths	2.10%	2.07%	0.70%	0.69%
1 year swap	1.55%	1.53%	0.38%	0.36%
2 year swap	2.17%	2.15%	0.93%	0.89%
3 year swap	2.42%	2.40%	1.27%	1.23%
5 year swap	2.59%	2.56%	1.55%	1.50%
10 year swap	2.70%	2.67%	1.96%	1.95%
10 year Govt bond		2.58%		1.81%

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