

# Market Alert

Friday 29 October 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7195	-0.0031
NZD/AUD	0.9544	-0.0032
NZD/JPY	81.63	-0.55
NZD/EUR	0.6157	-0.0053
NZD/GBP	0.5218	-0.0017
NZD/CNH	4.5973	0.0466
AUD/USD	0.7539	-0.0007
AUD/EUR	0.6452	-0.0034
EUR/USD	1.1686	0.0050
USD/CNH	6.3891	0.0928
GBP/USD	1.3789	-0.0015
EUR/GBP	0.8475	0.0046

  

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.78%	0.07%
2 year swap	2.35%	1.11%
10 year Govt	2.63%	1.84%

## Are you going to say it, or am I?

US Q3 GDP highlighted a slowing economy printing at just +2.0%, compared to Q2's +6.7% and well below market forecasts of 2.7%, as supply chain issues and the COVID-19 Delta variant throttled spending and investment. This deceleration reflected a sharp slowdown in personal consumption, which grew at just +1.6% following Q2's +12.0%, as shortages, transportation bottlenecks, rising prices and COVID-19 Delta weighed on both goods and services spending.

Furthermore, the GDP Price Index, or the deflator, was a lofty 5.7%, exceeding

expectations at 5.5% although it was lower than the 6.2% print from Q2. So, you all know that means – with lower growth and high and persistent inflation, everyone is talking about STAGFLATION. Yes, we all know that the third leg of that particular stool, rising unemployment, is not an issue, but that won't stop some economists from grabbing a few sensationalist headlines!

US President, Joe Biden, finally announced that his much debated economic framework will provide an unprecedented "historic investment" as part of the President's 'Build Back Better' plan. I won't go into all of the details as the bill totals 2,468 pages, but I suspect it will involve unimaginable amounts of public spending and whatever is eventually passed will be a watered down version.

We also had the ECB out overnight, although there wasn't much to report as they left monetary policy unchanged and pledged once again to keep interest rates at record low levels until inflation rises back to the ECB's 2% target. In saying that, while policy makers expect inflation to exceed their 2.0% target next year, most hold contrasting views on where inflation will be in 2023.

According to 'unnamed sources', while all policy makers agreed that the current market pricing showing interest rate increases next year is unfounded, the debate is relevant because in December the ECB will publish their 2024 projections. Interestingly, this 'source' then

stated that the Governing Council advised President, Christine Lagarde, to emphasise their forward guidance, but to stop short of saying that market interest rate expectations are wrong, arguing that investors might have different views on inflation to those of the central bank and, given the high level of uncertainty around the outlook, any pushback on market pricing could backfire. This led Ms Lagarde to state "Are markets ahead of themselves? It's not for me to say. What I have to do and what I have to assess, is the validity of our analysis, and then testing our analysis once we have determined that it was correct against the conditions for our forward guidance."

Interestingly, the markets didn't buy into Ms Lagarde's rhetoric and the EUR actually rallied strengthening to a 1 month high, as did the NZD and AUD in what was a broad, weak US-dollar session.

US equities continued to grind higher, although European markets were mixed, and the 10 year treasury yield increased back to 1.57%.

## Now I have heard it all

... after a climate sceptic CEO announced his gas company is 'carbon negative' ... I'm just not going there!

Stay safe, save your water before the Government gets it, 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	76.08					CAD	0.8886	0.9311
NZD/USD	0.7195	-0.0003	-0.0012	-0.0031	-0.0094	CHF	0.6561	0.6874
NZD/AUD	0.9544	-0.0005	-0.0017	-0.0032	-0.0080	CNY	4.5992	4.8192
NZD/JPY	81.63	-0.05	-0.24	-0.55	-1.58	DKK	4.5808	4.7999
NZD/EUR	0.6157	-0.0006	-0.0025	-0.0053	-0.0135	FJD	1.4828	1.5538
NZD/GBP	0.5218	-0.0002	-0.0010	-0.0017	-0.0044	HKD	5.5960	5.8637
						KRW	841.57	881.83
AU TWI	62.90					MYR	2.9772	3.1196
AUD/USD	0.7539	0.0001	0.0001	-0.0007	-0.0036	NOK	5.9977	6.2845
AUD/NZD	1.0478	0.0005	0.0019	0.0035	0.0088	SEK	6.1284	6.4215
AUD/JPY	85.53	-0.01	-0.10	-0.29	-0.95	SGD	0.9673	1.0136
AUD/EUR	0.6452	-0.0003	-0.0015	-0.0034	-0.0088	TWD	20.01	20.96
AUD/GBP	0.5468	0.0001	0.0000	0.0001	-0.0001	ZAR	10.8947	11.4158
USD Index	93.34					<b>EQUITIES</b>		
EUR/USD	1.1686	0.0007	0.0028	0.0050	0.0106		<b>Index</b>	
USD/JPY	113.45	-0.02	-0.14	-0.28	-0.72	NZX50	12,971	
GBP/USD	1.3789	0.0000	0.0003	-0.0015	-0.0064	ASX200	7,430	
EUR/GBP	0.8475	0.0005	0.0018	0.0046	0.0116	Dow Jones	35,637	
						S&P 500	4,590	
						FTSE100	7,249	
						DAX 30	15,696	
						Nikkei	28,820	
<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		0.62%	0.58%	0.00%	0.02%	Dubai Light	81.50	
90 day bank bills		0.80%	0.76%	0.09%	0.05%	Brent Crude	84.17	
FRA 90d in 3mths		1.35%	1.31%	0.33%	0.30%	Gold	1,800.97	
FRA 180d in 6mths		2.23%	2.20%	0.97%	0.95%	Silver	24.07	
1 year swap		1.67%	1.64%	0.52%	0.50%	CRB Index	253.98	
2 year swap		2.36%	2.34%	1.12%	1.10%		<b>NZD</b>	
3 year swap		2.60%	2.58%	1.44%	1.42%	NZ Carbon	65.10	
5 year swap		2.71%	2.69%	1.68%	1.67%			
10 year swap		2.76%	2.73%	2.10%	2.09%			
10 year Govt bond			2.61%		1.84%			

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