

Market Alert

Monday 4 October 2021

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6943 | -0.0017 |
| NZD/AUD | 0.9566 | -0.0030 |
| NZD/JPY | 77.06 | -0.32 |
| NZD/EUR | 0.5988 | -0.0038 |
| NZD/GBP | 0.5127 | -0.0012 |
| NZD/CNH | 4.4689 | 0.0543 |
| AUD/USD | 0.7258 | 0.0006 |
| AUD/EUR | 0.6261 | -0.0020 |
| EUR/USD | 1.1592 | 0.0046 |
| USD/CNH | 6.4369 | 0.0937 |
| GBP/USD | 1.3544 | -0.0001 |
| EUR/GBP | 0.8559 | 0.0034 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 0.25% | 0.10% |
| 90 day bills | 0.64% | 0.02% |
| 2 year swap | 1.42% | 0.29% |
| 10 year Govt | 2.11% | 1.49% |

Game on

As we head into the final quarter, of 2021, it seems it's all to play for

While it's fair to say that the global economic recovery from the pandemic has started to lose momentum, we have started to see central banks slowly beginning to tighten the screws through 'tapering' and, as in New Zealand's case, interest rate hikes.

Furthermore, there are noticeable signs of excessive bubbles starting to build due to the low interest rate environment, as witnessed by the Chinese real estate

market and global property prices, while at the macro level, there is yet another standoff over the US debt ceiling.

It would appear that there is just as much uncertainty now as at any stage of the pandemic recovery with heightened uncertainty and increased volatility here to stay!

Friday night saw a positive sign that the economic recovery is gaining traction in the US after personal spending rose +0.8% in August to rebound strongly out of July's -0.1% drop and beat market forecasts of a +0.6% increase. Although, in Europe, Eurozone inflation soared to a 13-year high of 3.4% in September, which was an increase on July's +3.0% print.

In other European news, German retail sales rose at +1.1% on the month when +1.5% was expected, while manufacturing PMI data was little changed from earlier estimates for both the Euro Area and Germany.

Interestingly, while the inflation story still has a way to go, former ECB President, Jean-Claude Trichet, thought it was the perfect time for a crack at the trans-Atlantic inflation story stating, *"In Europe, at the present moment, you could say that the thesis that inflation is transitory can be accepted"* but the claim that it's the same for the US *"calls for some scepticism!"*

Ultimately the inflation print saw European bourses turn negative, while

the positive spending in the US saw their exchanges trade positively and commodities remain strong.

The US dollar saw some profit taking as it closed out the week, which saw the NZD and AUD stage modest recoveries, while the US 10 year treasury eased back below the 1.50% level to be at 1.46%.

In the week ahead

All eyes will be on the US employment report on Friday evening, which will set the tone for the Federal Reserve's tapering 'play' in Q4, while we also have global services PMI surveys and an OPEC+ meeting that is expected to offer guidance into the coalition's production plans.

Elsewhere, key data to watch for includes US foreign trade balance and factory orders, Eurozone retail trade, UK house prices, and Australian business sentiment. Looking at the central banks, we have meetings from the RBA on Tuesday and the RBNZ on Wednesday ... which will invariably highlight their opposing approaches to monetary policy.

Remember the China-US trade war back in the day? Well, it would appear it's about to be reignited, with word on the street the US will announce later today that China hasn't lived up to their Phase 1 commitments of the trade deal.

Stay safe, and hey, let's be careful out there!



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Daily Rates

Monday 4 October 2021

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------------------|--------|--------------------|---------------|------------------|---------------|--------------------|--------------|---------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 74.22 | | | | | CAD | 0.8778 | 0.9176 |
| NZD/USD | 0.6943 | -0.0001 | -0.0006 | -0.0017 | -0.0054 | CHF | 0.6466 | 0.6759 |
| NZD/AUD | 0.9566 | -0.0003 | -0.0013 | -0.0030 | -0.0084 | CNY | 4.4744 | 4.6773 |
| NZD/JPY | 77.06 | -0.03 | -0.14 | -0.32 | -0.88 | DKK | 4.4531 | 4.6551 |
| NZD/EUR | 0.5988 | -0.0005 | -0.0018 | -0.0038 | -0.0093 | FJD | 1.4573 | 1.5234 |
| NZD/GBP | 0.5127 | -0.0001 | -0.0006 | -0.0012 | -0.0031 | HKD | 5.4040 | 5.6491 |
| | | | | | | KRW | 824.55 | 861.96 |
| AU TWI | 60.70 | | | | | MYR | 2.8838 | 3.0146 |
| AUD/USD | 0.7258 | 0.0001 | 0.0004 | 0.0006 | 0.0008 | NOK | 5.9932 | 6.2651 |
| AUD/NZD | 1.0454 | 0.0004 | 0.0014 | 0.0033 | 0.0092 | SEK | 6.0796 | 6.3554 |
| AUD/JPY | 80.54 | -0.01 | -0.03 | -0.08 | -0.22 | SGD | 0.9418 | 0.9845 |
| AUD/EUR | 0.6261 | -0.0003 | -0.0010 | -0.0020 | -0.0043 | TWD | 19.32 | 20.19 |
| AUD/GBP | 0.5359 | 0.0001 | 0.0001 | 0.0005 | 0.0014 | ZAR | 10.3205 | 10.7887 |
| USD Index | 94.04 | | | | | EQUITIES | | |
| EUR/USD | 1.1592 | 0.0007 | 0.0025 | 0.0046 | 0.0092 | | Index | |
| USD/JPY | 110.97 | -0.02 | -0.11 | -0.20 | -0.42 | NZX50 | 13,279 | |
| GBP/USD | 1.3544 | 0.0001 | 0.0004 | -0.0001 | -0.0022 | ASX200 | 7,186 | |
| EUR/GBP | 0.8559 | 0.0005 | 0.0016 | 0.0034 | 0.0082 | Dow Jones | 34,326 | |
| | | | | | | S&P 500 | 4,357 | |
| | | | | | | FTSE100 | 7,027 | |
| | | | | | | DAX 30 | 15,156 | |
| | | | | | | Nikkei | 28,771 | |
| INTEREST RATES | | New Zealand | | Australia | | COMMODITIES | | |
| | | Borrow | Invest | Borrow | Invest | | USD | |
| 30 day bank bills | | 0.48% | 0.44% | -0.01% | 0.01% | Dubai Light | 75.68 | |
| 90 day bank bills | | 0.66% | 0.62% | 0.04% | 0.00% | Brent Crude | 79.28 | |
| FRA 90d in 3mths | | 0.96% | 0.93% | 0.06% | 0.03% | Gold | 1,760.75 | |
| FRA 180d in 6mths | | 1.36% | 1.33% | 0.15% | 0.14% | Silver | 22.52 | |
| 1 year swap | | 1.09% | 1.06% | 0.09% | 0.06% | CRB Index | 244.87 | |
| 2 year swap | | 1.43% | 1.40% | 0.30% | 0.28% | | NZD | |
| 3 year swap | | 1.64% | 1.61% | 0.54% | 0.53% | NZ Carbon | 64.50 | |
| 5 year swap | | 1.89% | 1.86% | 0.98% | 0.96% | | | |
| 10 year swap | | 2.25% | 2.22% | 1.66% | 1.65% | | | |
| 10 year Govt bond | | | 2.09% | | 1.49% | | | |

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