

# Market Alert

Wednesday 6 October 2021

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.6965 | -0.0016 |
| NZD/AUD    | 0.9551 | -0.0030 |
| NZD/JPY    | 77.64  | -0.32   |
| NZD/EUR    | 0.6006 | -0.0038 |
| NZD/GBP    | 0.5110 | -0.0011 |
| NZD/CNH    | 4.4899 | 0.0549  |
| AUD/USD    | 0.7293 | 0.0006  |
| AUD/EUR    | 0.6288 | -0.0020 |
| EUR/USD    | 1.1597 | 0.0046  |
| USD/CNH    | 6.4472 | 0.0942  |
| GBP/USD    | 1.3632 | -0.0002 |
| EUR/GBP    | 0.8508 | 0.0035  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 0.25% | 0.10%     |
| 90 day bills | 0.63% | 0.02%     |
| 2 year swap  | 1.40% | 0.30%     |
| 10 year Govt | 2.10% | 1.52%     |

## Steady RBA bat

The RBA maintained the cash rate target at 0.10%, the 0.10% target for the April 2024 Australian Government bond, and it will continue to purchase government securities at the rate of AUD4 billion a week until at least mid-February 2022 as the condition for a rate hike will not be met before 2024.

The COVID-19 Delta outbreak has interrupted the recovery although the impact on the economy is expected to be temporary. On lending, according to the RBA, it is important lending standards are maintained and that loan serviceability buffers are appropriate.

And for all the noise around supply chains, the RBA believes the disruption isn't having much of an impact on tradable inflation.

The Australian August trade balance was, just for a change, another huge surplus – in fact, it's the largest surplus ever at AUD15.077 billion! Exports were up +4.0% on bumper coal and LNG exports, while imports were down -1.0%. Furthermore, the AiG construction PMI for September surged to +53.3 from August's +38.4 although, in saying that, the final Markit PMIs for September remained in contractionary territory with services at 45.5 and the composite at 46.0.

In New Zealand, the Fonterra GDT auction was pretty dull with a flat result for the main index while WMP fell -0.4% and butter rose +0.4%. The September commodity price index rose +1.5% although, in NZD terms, the index rallied just +0.4% due to the rising TWI. The QSBO for Q3 unsurprisingly saw business confidence fall to -11% from +7%, and while demand remains solid, confidence has been hit. The shortage for skilled and unskilled workers remains but, overall, cost pressures are moderating, which suggests an easing in inflationary pressures... for now.

In the US, the ISM services PMI edged up to 61.9 in September highlighting robust growth in the services sector, although there are the usual challenges over labour, logistics, and materials are

affecting the continuity of supply. The August trade deficit also widened to a record high of USD73.3 billion as exports edged up +0.5%, imports increased +1.4%, and the deficit with China increased USD3.1 billion to USD28.1 billion.

The Federal Reserve has begun discussions on opening an independent review of trading by its senior officials.

The ECB's Christine Lagarde announced she "will pay close attention to wage developments. We should not overreact to supply shortages or rising energy prices as our monetary policy cannot directly affect of those phenomena. But we will pay close attention to wage developments in inflation expectations to ensure that inflation expectations are anchored at 2%."

The IMF expects 2021 global growth to be slightly below July's forecast of +6.0%.

## Will the RBNZ be caught in the slips

The financial markets enjoyed modest gains overnight, with equities in positive territory, commodities rallying as energy prices surged (natural gas is up 9.25%), treasury yields firmed with the T-bond at 1.53%, and the NZD and AUD rose slightly, focus turns to today's RBNZ meeting at 2pm local time. While there were rumours of a split amongst the voting members, watch out for a 'dovish' hike!

Stay safe, enjoy life one picnic at a time, and hey, let's be careful out there!



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# Daily Rates

Wednesday 6 October 2021

| FX                    | Spot   | FECs (mid)         |               |                  |               | Spot Mid           |              |         |
|-----------------------|--------|--------------------|---------------|------------------|---------------|--------------------|--------------|---------|
|                       | Mid    | 1mth               | 3mths         | 6mths            | 12mths        | NZD/...            | AUD/...      |         |
| NZ TWI                | 74.41  |                    |               |                  |               | CAD                | 0.8760       | 0.9172  |
| NZD/USD               | 0.6965 | -0.0002            | -0.0006       | -0.0016          | -0.0053       | CHF                | 0.6463       | 0.6767  |
| NZD/AUD               | 0.9551 | -0.0003            | -0.0013       | -0.0030          | -0.0083       | CNY                | 4.4883       | 4.6995  |
| NZD/JPY               | 77.64  | -0.03              | -0.14         | -0.32            | -0.89         | DKK                | 4.4666       | 4.6768  |
| NZD/EUR               | 0.6006 | -0.0005            | -0.0018       | -0.0038          | -0.0093       | FJD                | 1.4633       | 1.5322  |
| NZD/GBP               | 0.5110 | -0.0001            | -0.0006       | -0.0011          | -0.0029       | HKD                | 5.4226       | 5.6778  |
|                       |        |                    |               |                  |               | KRW                | 828.06       | 867.03  |
| AU TWI                | 61.10  |                    |               |                  |               | MYR                | 2.9088       | 3.0457  |
| AUD/USD               | 0.7293 | 0.0001             | 0.0004        | 0.0006           | 0.0008        | NOK                | 5.9449       | 6.2246  |
| AUD/NZD               | 1.0471 | 0.0004             | 0.0014        | 0.0033           | 0.0092        | SEK                | 6.0892       | 6.3757  |
| AUD/JPY               | 81.29  | -0.01              | -0.03         | -0.08            | -0.23         | SGD                | 0.9451       | 0.9896  |
| AUD/EUR               | 0.6288 | -0.0003            | -0.0010       | -0.0020          | -0.0043       | TWD                | 19.42        | 20.33   |
| AUD/GBP               | 0.5350 | 0.0000             | 0.0001        | 0.0005           | 0.0016        | ZAR                | 10.4421      | 10.9335 |
| USD Index             | 93.96  |                    |               |                  |               | <b>EQUITIES</b>    |              |         |
| EUR/USD               | 1.1597 | 0.0007             | 0.0025        | 0.0046           | 0.0092        |                    | <b>Index</b> |         |
| USD/JPY               | 111.48 | -0.03              | -0.10         | -0.20            | -0.43         | NZX50              | 13,200       |         |
| GBP/USD               | 1.3632 | 0.0001             | 0.0004        | -0.0002          | -0.0026       | ASX200             | 7,248        |         |
| EUR/GBP               | 0.8508 | 0.0005             | 0.0016        | 0.0035           | 0.0084        | Dow Jones          | 34,467       |         |
|                       |        |                    |               |                  |               | S&P 500            | 4,367        |         |
|                       |        |                    |               |                  |               | FTSE100            | 7,077        |         |
|                       |        |                    |               |                  |               | DAX 30             | 15,194       |         |
|                       |        |                    |               |                  |               | Nikkei             | 27,822       |         |
| <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     |        | 0.49%              | 0.45%         | 0.01%            | 0.02%         | Dubai Light        | 79.48        |         |
| 90 day bank bills     |        | 0.65%              | 0.62%         | 0.04%            | 0.00%         | Brent Crude        | 82.65        |         |
| FRA 90d in 3mths      |        | 0.95%              | 0.92%         | 0.06%            | 0.03%         | Gold               | 1,762.21     |         |
| FRA 180d in 6mths     |        | 1.36%              | 1.33%         | 0.15%            | 0.14%         | Silver             | 22.63        |         |
| 1 year swap           |        | 1.07%              | 1.05%         | 0.09%            | 0.05%         | CRB Index          | 247.74       |         |
| 2 year swap           |        | 1.41%              | 1.39%         | 0.32%            | 0.28%         |                    | <b>NZD</b>   |         |
| 3 year swap           |        | 1.62%              | 1.60%         | 0.56%            | 0.53%         | NZ Carbon          | 64.50        |         |
| 5 year swap           |        | 1.85%              | 1.83%         | 0.97%            | 0.94%         |                    |              |         |
| 10 year swap          |        | 2.22%              | 2.20%         | 1.70%            | 1.69%         |                    |              |         |
| 10 year Govt bond     |        |                    | 2.08%         |                  | 1.52%         |                    |              |         |

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