

Market Alert

Thursday 7 October 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6917	-0.0017
NZD/AUD	0.9515	-0.0031
NZD/JPY	77.08	-0.33
NZD/EUR	0.5989	-0.0039
NZD/GBP	0.5093	-0.0012
NZD/CNH	4.4666	0.0536
AUD/USD	0.7270	0.0006
AUD/EUR	0.6295	-0.0020
EUR/USD	1.1550	0.0046
USD/CNH	6.4575	0.0938
GBP/USD	1.3582	-0.0002
EUR/GBP	0.8504	0.0035

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.68%	0.02%
2 year swap	1.41%	0.30%
10 year Govt	2.11%	1.61%

We knew it was coming

It definitely wasn't a surprise and, if anything, it was a bit of a non-event after the RBNZ hiked the OCR 25 basis points to 0.50%. The statement was quite well balanced with a strong inflation theme running through it, with a reference to the unsustainability of the local housing market and a note of caution around the potential long-term impact of the COVID-19 Delta strain on the domestic and international environment. After the announcement, the NZD and local interest rates popped a touch, but the momentum was quickly lost with the

weakness continuing into the overnight sessions.

Looking ahead, the market is continuing to price in further hikes, with a 92% chance of another 25 pips in November and 88% priced in for February 2022, but beyond that, the market is starting to lose some of its momentum.

And speaking of the RBNZ, congratulations to Christian Hawkesby, miharo te tama, the boy wonder, who was named as the new Deputy Governor to replace Geoff Bascand who is leaving in early 2022.

Citing financial stability risks, APRA has jacked up the minimum 'rate buffer' Australia banks use when assessing the serviceability of home loan applications, "APRA has told lenders it expects they will assess new borrowers' ability to meet their loan repayments at an interest rate that is at least 3.0% above the loan product rate. This compares to a buffer of 2.50% that is commonly used by ADIs today."

In terms of data overnight, the US ADP employment numbers saw private businesses hired 568,000 workers in September, the most in 3 months, beating market expectations of a 428,000, while Eurozone retail sales rose by +0.3% in August following on from July's revised -2.6% slump.

The ECB announced it will study a new bond buying program for when the pandemic program, the PEPP, ends in

March and one new detail highlights that the plan is to prevent the widening of spreads and will complement the APP.

Apart from the RBNZ hike and APRA adjustments, which were both well signalled, there was little for markets to focus on as we await the Democrat/Republican game of chicken over the US debt ceiling. With 18 October the projected date by which Treasury Secretary, Janet Yellen, expects the country to reach its limit on sovereign debt, time is fast running out. This ultimately saw the US exchanges tread steady while European markets were -0.5% to -1.5% lower on concerns over surging energy prices. Interestingly, natural gas prices reversed yesterday gains falling -9.75% after Russia President Vladimir Putin hinted at more supply, while oil prices also eased from their recent highs. The US 10 year treasury continued to bounce around the 1.50% level to close at 1.525%, while the Euro fell to a 15-month low against the USD which dragged the NZD and AUD lower as well.

China capitulates

It's a minor victory, but coal shortages in China have resulted in a 'handful' of ships unloading circa 450k tonnes of Australian coal.

Stay safe, enjoy life one picnic at a time, 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	74.00					CAD	0.8708	0.9152
NZD/USD	0.6917	-0.0002	-0.0007	-0.0017	-0.0054	CHF	0.6418	0.6745
NZD/AUD	0.9515	-0.0004	-0.0014	-0.0031	-0.0084	CNY	4.4580	4.6855
NZD/JPY	77.08	-0.04	-0.15	-0.33	-0.90	DKK	4.4560	4.6834
NZD/EUR	0.5989	-0.0005	-0.0019	-0.0039	-0.0094	FJD	1.4603	1.5348
NZD/GBP	0.5093	-0.0002	-0.0006	-0.0012	-0.0030	HKD	5.3855	5.6603
						KRW	825.05	867.15
AU TWI	61.10					MYR	2.8811	3.0281
AUD/USD	0.7270	0.0001	0.0004	0.0006	0.0008	NOK	5.9358	6.2386
AUD/NZD	1.0510	0.0004	0.0015	0.0034	0.0094	SEK	6.0892	6.3999
AUD/JPY	81.01	-0.01	-0.04	-0.08	-0.23	SGD	0.9404	0.9883
AUD/EUR	0.6295	-0.0003	-0.0011	-0.0020	-0.0044	TWD	19.27	20.25
AUD/GBP	0.5353	0.0000	0.0001	0.0005	0.0016	ZAR	10.3668	10.8958
USD Index	94.25					EQUITIES		
EUR/USD	1.1550	0.0007	0.0025	0.0046	0.0093		Index	
USD/JPY	111.44	-0.03	-0.11	-0.20	-0.44	NZX50	13,166	
GBP/USD	1.3582	0.0001	0.0004	-0.0002	-0.0027	ASX200	7,207	
EUR/GBP	0.8504	0.0005	0.0016	0.0035	0.0086	Dow Jones	34,325	
						S&P 500	4,358	
						FTSE100	6,996	
						DAX 30	14,973	
						Nikkei	27,529	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.56%	0.52%	0.01%	0.02%	Dubai Light	80.25	
90 day bank bills		0.70%	0.66%	0.04%	-0.01%	Brent Crude	80.95	
FRA 90d in 3mths		0.96%	0.93%	0.06%	0.03%	Gold	1,763.59	
FRA 180d in 6mths		1.37%	1.34%	0.17%	0.15%	Silver	22.62	
1 year swap		1.10%	1.08%	0.10%	0.06%	CRB Index	250.62	
2 year swap		1.42%	1.40%	0.32%	0.29%		NZD	
3 year swap		1.63%	1.61%	0.58%	0.54%	NZ Carbon	64.70	
5 year swap		1.86%	1.84%	0.98%	0.97%			
10 year swap		2.24%	2.22%	1.68%	1.67%			
10 year Govt bond			2.09%		1.61%			

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