

Market Alert

Wednesday 3 November 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7111	-0.0027
NZD/AUD	0.9570	-0.0040
NZD/JPY	81.03	-0.48
NZD/EUR	0.6138	-0.0049
NZD/GBP	0.5220	-0.0015
NZD/CNH	4.5514	0.0449
AUD/USD	0.7430	0.0003
AUD/EUR	0.6414	-0.0025
EUR/USD	1.1584	0.0049
USD/CNH	6.4020	0.0882
GBP/USD	1.3623	-0.0014
EUR/GBP	0.8503	0.0044

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.81%	0.06%
2 year swap	2.18%	0.84%
10 year Govt	2.58%	1.89%

Did the RBA play the game, or not?

Well, to some extent the RBA bowed to the pressure announcing it would end its targeted yield cap on the April 2024 bond although it's not like it had a choice in the matter is it!

In keeping the cash rate unchanged the central bank said it now believes that the key conditions for raising rates – full employment and sustainable inflation within a 2-3% band – could happen sooner than previously thought.

The RBA emphasised that it expects, “only a gradual pick-up in underlying inflation (with underlying inflation of around +2.25% over 2021 and 2022, and +2.5% over 2023,” while “wage growth is expected to pick up gradually as the labour market tightens (with) forecasts it will increase by +2.5% 2022 and +3.0% over 2023.”

And while there were no references to 2024, Governor, Philip Lowe, stated “It is now plausible that rate hikes could be appropriate in 2023” he is in no rush, as “I think markets have overreacted to recent inflation data.”

Australian inflation expectations also hit their highest level in 7 years after the Roy Morgan inflation survey saw expectations increase to +4.8% annually over the next two years. Forecasts are now up for five months in a row.

Meanwhile, in the US the IBD/TIPP Economic optimism index fell for the fifth straight month to its lowest level since September 2015 hitting 43.9 in November, while the Atlanta Fed have increased their December quarter GDP growth forecasts to 8.2% from 6.6% after the recent ISM and construction spending data releases.

Treasury Secretary, Janet Yellen, was also on the wires stating “Uncertain of the lasting nature of drop in a labour force participation. I expect to see some revival of labour force participation over time.”

Interestingly, Chinese premier, Li Keqiang, announced the economy needs “cross-

cyclical adjustments” and has to cut taxes and fees to address the problems faced by small and medium-sized companies.

RBNZ Governor, Adrian Orr, gave another, ‘really, I did not know that’ speech on house prices, stating “house prices have become more unsustainable over the past 12 months. House prices and housing affordability are affected by both supply and demand factors (and that) unsustainable level of house prices pose monetary and financial stability challenges. Expect to see an easing in house prices in the medium term.” Interestingly, New Zealand building permits fell -1.9% in September following August’s +3.8% gain.

The GDT auction produced another impressive result rallying 4.3%, with the key WMP and butter contracts also producing good individual results rallying +2.7% and +4.7% respectively. This wasn't enough to support the NZD as it got caught with the RBA related AUD selling which saw the commodity currencies get hit particularly hard today with the AUD down 1.3%, the NZD 1.0% weaker. Bonds were also hit with the German 10 year yield down 6-bps, its largest in 4 months, while the US Treasury bond is at 1.55%.

As with this commentary ...

Everything is Verry Elleegant. Congratulations to those who backed the kiwi horse. Stay safe, enjoy your winnings, and hey, let's be careful out there!



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Daily Rates

Wednesday 3 November 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	75.58					CAD	0.8818	0.9215
NZD/USD	0.7111	-0.0003	-0.0011	-0.0027	-0.0084	CHF	0.6499	0.6791
NZD/AUD	0.9570	-0.0005	-0.0018	-0.0040	-0.0103	CNY	4.5501	4.7548
NZD/JPY	81.03	-0.05	-0.21	-0.48	-1.39	DKK	4.5663	4.7717
NZD/EUR	0.6138	-0.0006	-0.0023	-0.0049	-0.0127	FJD	1.4734	1.5397
NZD/GBP	0.5220	-0.0002	-0.0008	-0.0015	-0.0039	HKD	5.5330	5.7819
						KRW	835.08	872.65
AU TWI	62.80					MYR	2.9714	3.1050
AUD/USD	0.7430	0.0001	0.0003	0.0003	-0.0008	NOK	6.0548	6.3271
AUD/NZD	1.0450	0.0005	0.0020	0.0044	0.0114	SEK	6.0946	6.3687
AUD/JPY	84.66	0.00	-0.06	-0.15	-0.55	SGD	0.9594	1.0026
AUD/EUR	0.6414	-0.0003	-0.0012	-0.0025	-0.0065	TWD	19.87	20.76
AUD/GBP	0.5454	0.0001	0.0002	0.0007	0.0018	ZAR	10.9768	11.4706
USD Index	94.09					EQUITIES		
EUR/USD	1.1584	0.0007	0.0027	0.0049	0.0105		Index	
USD/JPY	113.96	-0.02	-0.13	-0.24	-0.62	NZX50	12,993	
GBP/USD	1.3623	0.0000	0.0002	-0.0014	-0.0059	ASX200	7,324	
EUR/GBP	0.8503	0.0005	0.0018	0.0044	0.0114	Dow Jones	36,067	
						S&P 500	4,629	
						FTSE100	7,275	
						DAX 30	15,954	
						Nikkei	29,521	
						COMMODITIES		
							USD	
						Dubai Light	82.72	
						Brent Crude	84.48	
						Gold	1,787.22	
						Silver	23.51	
						CRB Index	254.28	
							NZD	
						NZ Carbon	65.25	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.70%	0.67%	0.00%	0.02%
90 day bank bills	0.83%	0.80%	0.08%	0.04%
FRA 90d in 3mths	1.29%	1.26%	0.16%	0.13%
FRA 180d in 6mths	2.09%	2.10%	0.54%	0.52%
1 year swap	1.57%	1.55%	0.31%	0.30%
2 year swap	2.19%	2.17%	0.85%	0.84%
3 year swap	2.42%	2.40%	1.14%	1.13%
5 year swap	2.52%	2.50%	1.49%	1.48%
10 year swap	2.59%	2.57%	2.00%	1.99%
10 year Govt bond		2.56%		1.89%

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