

30 September 2021



Events Round-Up

EZ: Economic confidence, Sep: 117.8 vs. 117.0 exp.

US: Pending home sales (m/m%), Aug: 8.1 vs. 1.4 exp.

Good Morning

Markets have calmed down after yesterday's broad sell-off, but the slight fall in global rates and lift in global equities looks unconvincing. There is more turmoil in currency markets, with another broadly-based surge in the USD seeing the NZD and AUD tumble further, alongside other major currencies.

There isn't much news to report but this hasn't prevented some significant further price action, mainly confined to currency markets. The USD has broken some key technical levels and month-end flows have reinforced the buying pressure, alongside the recent safe-haven bid. One might also conclude that USD strength this week also looks to be a delayed reaction to the Fed's more hawkish pivot last week. Both DXY and BBDXY USD indices are up 0.6-0.7% to reach new highs for the year. While commodity currencies like NOK, NZD and AUD have been harder hit than others, many of the key majors are breaking new ground, with USD/JPY breaking 112, a level not seen in more than 18-months, EUR/USD on the verge of falling below 1.16 and GBP/USD close to breaking below 1.34.

The NZD and AUD aren't breaking new ground as both saw major selloffs during August, before recovering, but both have underperformed overnight, the AUD down 1% to 0.7180 and the NZD down 1.2% to 0.6865.

Some of the NZD's underperformance could well be attributed to the bad news on the local COVID-19 outbreak. The number of new daily cases of COVID-19 in the community spiked up to 45, the highest level by far since 2-September, not good for another shift down in alert levels next week, extending the economic hit to the country. But just as sobering is the plunging rate of first-dose vaccinations, which suggests that the government's 90% target of full-vaccination for persons over 12 years old (currently 44%) is more aspirational than likely this side of Christmas or even much longer. In almost all health districts the number of bookings is less than 5% of the remaining eligible unvaccinated folk, suggesting that we're well into the tail of the distribution and the lift in the vaccination rate will be much slower from here.

The NZD's underperformance is evident in the NZD/AUD cross, which has been steadily falling since that announcement and now down to 0.9560, increasing confidence that the highs for the year have probably already been printed and a positioning shakeout is well in train.

There was some reaction in the domestic rates market to the local COVID-19 news, with OIS pricing for the RBNZ's October meeting moderating by 2bps to 0.47% (notably, still at levels consistent with high conviction of a 25bps hike next week) and this flowing through the rest of the curve, with the 2-year swap rate down 2bps to 1.43%. Rate changes across the rest of the curve were well contained, with 10-year swap up just 1bp. A steepening bias was also evident in the NZGBs curve.

The S&P500 is currently up 0.2% a mild and unconvincing recovery after yesterday's 2% fall, more so when viewed in light of a small fall for the Nasdaq index. The Euro Stoxx 600 index closed 0.6% higher. Helping settle equity markets is the fact that the global bond market sell-off has paused for breath, with the US 10-year rate little changed for the day at 1.54%.

Heads of the Fed, ECB, BoE and BoJ have been on a panel at the ECB's policy forum and they look to have just been re-hashing what has already been said in their recent policy updates so their comments haven't moved the market.

In economic data, US pending home sales unexpectedly rose by over 8% to a seven-month high, suggesting increased housing market activity after the recent lull. The euro area's economic confidence series, a mix of business and consumer confidence, nudged higher to remain close to historical highs. This is of some relief considering the backdrop of surging energy prices.

Yesterday we noted the widespread power cuts in China were partly responsible for the risk off move. A welcome development is news that the government is considering raising power prices, which are currently heavily regulated. Some of reason for the power cuts is that the regulated prices are too low relative to the increased cost of generation. Higher prices would incentivise more generation and less consumption.

The economic calendar for the day ahead is full. Domestically, we'll be interested in the full September

reading for the ANZ business outlook survey to gauge how much economic damage the current lockdown is inflicting. China PMIs are released this afternoon and the consensus looks somewhat optimistic in expecting a flat result for manufacturing and non-manufacturing to be over 2 points higher. In data tonight, Germany is expected to become the latest country to report annual CPI inflation breaking the 4% mark.

The market will also be closely watching the political shenanigans in Washington with the government needing to pass a continuing resolution to allow the government to spend beyond the end of this month to avoid a shutdown. A bill to raise the debt ceiling will also need to be passed at some stage, although that can wait until sometime in October before the government verges on default. Moreover, a cloud continues to overhang Biden's big spending bills that have yet to be successfully voted on.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Building permits (m/m%)	Aug		2.1	10:45
JN	Industrial production (m/m%)	Aug	-0.5	-1.5	12:50
NZ	ANZ activity outlook	Sep		18.2	13:00
NZ	ANZ business confidence	Sep		-6.8	13:00
CH	Non-manufacturing PMI	Sep	49.8	47.5	14:00
CH	Manufacturing PMI	Sep	50.0	50.1	14:00
AU	Building approvals (m/m%)	Aug	-5.0	-8.6	14:30
CH	Caixin PMI manufacturing	Sep	49.5	49.2	14:45
GE	Unemployment rate (%)	Sep	5.5	5.5	20:55
EC	Unemployment rate (%)	Aug	7.5	7.6	22:00
GE	CPI EU harmonised (y/y%)	Sep	4.0	3.4	01:00
US	Initial jobless claims (k)	25-Sep	330	351	01:30
US	MNI Chicago PMI	Sep	65.0	66.8	02:45

Source: Bloomberg, BNZ

Foreign Exchange					Equities				Commodities**					
Indicative overnight ranges (*)					Other FX				Major Indices			Price		
	Last	% Day	Low	High		Last	% Day			Last	Net Day		Last	Net Day
NZD	0.6862	-1.4	0.6860	0.6958	CHF	0.9354	+0.6	S&P 500	4,358	+0.1	30.6	Oil (Brent)	78.59	-0.6
AUD	0.7177	-0.8	0.7173	0.7264	SEK	8.811	+0.9	Dow	34,421	+0.4	25.4	Oil (WTI)	74.89	-0.5
EUR	1.1595	-0.8	1.1597	1.1678	NOK	8.778	+1.3	Nasdaq	14,531	-0.1	31.1	Gold	1721.4	-0.8
GBP	1.3420	-0.8	1.3412	1.3550	HKD	7.785	+0.0	Stoxx 50	4,080	+0.5	26.9	HRC steel	1895.0	+0.7
JPY	112.02	+0.5	111.21	112.05	CNY	6.471	+0.2	FTSE	7,108	+1.1	20.5	CRB	228.6	+0.2
CAD	1.2772	+0.7			SGD	1.362	+0.3	DAX	15,365	+0.8	19.8	Wheat Chic.	722.3	+0.5
NZD/AUD	0.9561	-0.5			IDR	14,293	+0.1	CAC 40	6,561	-0.2	35.8	Sugar	18.94	-0.3
NZD/EUR	0.5918	-0.6			THB	34.00	+0.4	Nikkei	29,544	-2.1	27.4	Cotton	101.91	+1.0
NZD/GBP	0.5113	-0.5			KRW	1,182	-0.2	Shanghai	3,536	-1.8	9.9	Coffee	193.4	-2.4
NZD/JPY	76.87	-0.9			TWD	27.79	+0.2	ASX 200	7,197	-1.1	23.7	WM powder	3775.0	+0.1
NZD/CAD	0.8764	-0.7			PHP	50.86	-0.3	NZX 50	13,120	-0.4	11.7	Australian Futures		
NZ TWI	73.73	-1.0										3 year bond	99.53	0.00
												10 year bond	98.49	-0.01
Interest Rates					NZ Government Bonds				NZ Swap Yields					
	Rates		Swap Yields		Benchmark 10 Yr Bonds		Last		Last		Last			
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day								
USD	0.25	0.13	0.38	1.56	USD	1.54	0.00	NZGB 5 1/2 04/15/23	1.00	-0.01	1 year	1.09	-0.02	
AUD	0.10	0.02	0.28	1.65	AUD	1.49	0.01	NZGB 0 1/2 05/15/26	1.55	-0.01	2 year	1.43	-0.02	
NZD	0.25	0.65	1.43	2.24	NZD	1.97	-0.00	NZGB 0 1/4 05/15/28	1.76	-0.01	5 year	1.88	-0.00	
EUR	0.00	0.06	-0.42	0.17	GER	-0.21	-0.01	NZGB 1 1/2 05/15/31	1.97	0.01	7 year	2.05	0.01	
GBP	0.10	0.09	0.73	1.17	GBP	0.99	-0.00	NZGB 2 05/15/32	2.06	0.02	10 year	2.25	0.01	
JPY	-0.04	-0.07	0.01	0.12	JPY	0.08	-0.01	NZGB 1 3/4 05/15/41	2.54	0.01	15 year	2.43	0.03	
CAD	0.25	0.45	0.97	1.98	CAD	1.52	0.01	NZGB 2 3/4 05/15/51	2.73	0.02				

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

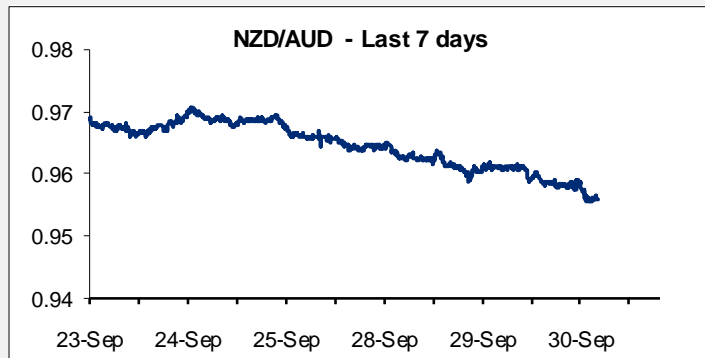
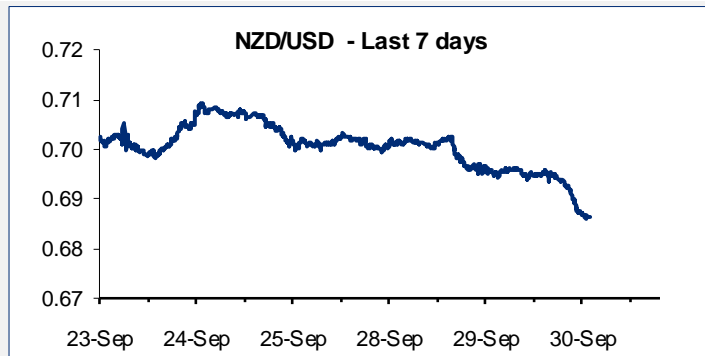
** All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:57

Source: Bloomberg

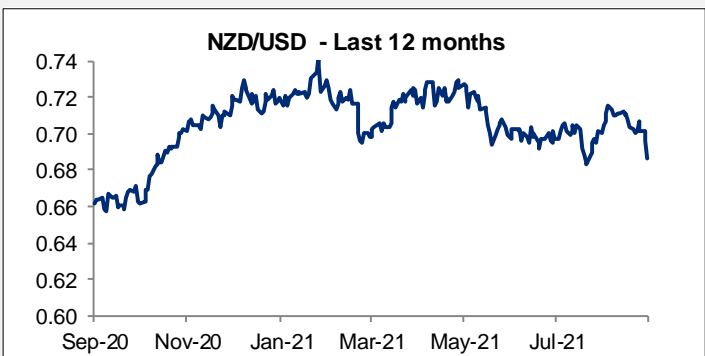
NZD exchange rates

30/09/2021 6:58 am		Prev. NY close
USD	0.6862	0.6957
GBP	0.5113	0.5139
AUD	0.9561	0.9614
EUR	0.5918	0.5955
JPY	76.87	77.57
CAD	0.8764	0.8826
CHF	0.6419	0.6467
DKK	4.4005	4.4278
FJD	1.4410	1.4619
HKD	5.3421	5.4146
INR	50.88	51.52
NOK	6.0231	6.0289
PKR	116.63	118.07
PHP	34.90	35.48
PGK	2.4077	2.4411
SEK	6.0460	6.0765
SGD	0.9347	0.9448
CNY	4.4403	4.4944
THB	23.23	23.49
TOP	1.5355	1.5574
VUV	76.59	77.37
WST	1.7622	1.7888
XPF	70.38	70.70
ZAR	10.4390	10.5098



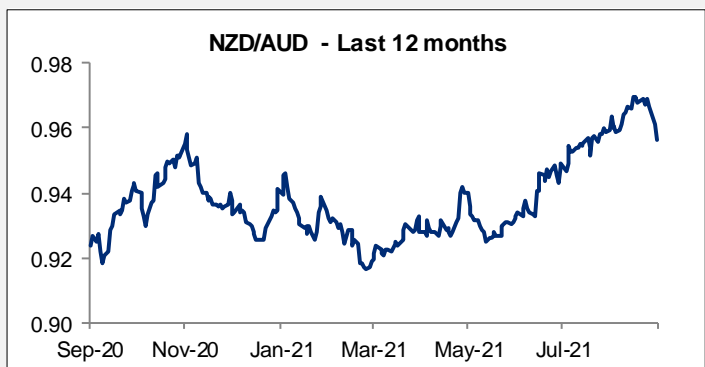
NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-1.32	-0.94
3 Months	-5.84	-5.34
6 Months	-16.36	-15.36
9 Months	-33.80	-31.29
1 Year	-54.23	-52.23



NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-3.23	-2.44
3 Months	-13.69	-12.64
6 Months	-31.03	-28.93
9 Months	-57.17	-52.41
1 Year	-87.70	-82.77



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