

Market Alert

Thursday 11 November 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7080	-0.0029
NZD/AUD	0.9639	-0.0045
NZD/JPY	80.59	-0.51
NZD/EUR	0.6158	-0.0052
NZD/GBP	0.5269	-0.0020
NZD/CNH	4.5305	0.0416
AUD/USD	0.7346	0.0004
AUD/EUR	0.6389	-0.0024
EUR/USD	1.1498	0.0050
USD/CNH	6.3989	0.0853
GBP/USD	1.3439	-0.0005
EUR/GBP	0.8556	0.0040

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.83%	0.04%
2 year swap	2.21%	0.95%
10 year Govt	2.56%	1.73%

Revenge is a dish best served cold

Although it was very hot in Abu Dhabi congratulations to the Black Caps and what an incredible team to have made 3 consecutive finals in 3 different formats of the game. Now, if we could only get the same form of dedication, collective fight, organisation, and realism from the Government!

And speaking of fighting, fighting inflation is the theme of the day after the US CPI surged +0.9% on the month and 6.2% in the year to record its largest increase since

November 1990 as higher prices across the energy, shelter, food, and vehicle sectors accelerated the gains. There were also substantial gains to the core inflation rate which increased to levels last seen in August 1991, hitting +0.6% and +4.6% respectively.

It was a similar story in Germany, where inflation increased 0.5% on the month and 4.5% on the year, which were in line with expectations. In China the CPI data showed inflation rising at its quickest since September 2020 headlining at +0.7% on the month and +1.5% on the year, impacted by weather, commodity demand, and input pressures. In fact, the local PPI numbers increased at an incredible +13.5% on the year to its highest level since local authorities began compiling the data way back in October 1996.

These inflation prints saw the market bring forward its US rate hiking cycle, with a hike to 0.25% priced in by June 2022 with an 80% chance the Fed Funds rate will be at 0.50% by September. This saw global bourses and commodities fall as the threat of persistent and elevated inflation could force the Fed to taper at a more substantial rate or hike interest rates earlier. This saw the 2 year treasury yield jump 6-bps to 0.49% while the 10-year surged 8-bps to 1.555%, while the US-dollar spiked to its highest level in 16 months which saw the EUR/USD crack below the 1.16 level, dragging the NZD and AUD lower.

Quite naturally, we also saw a few Fed speakers poke their heads above the fenceline with Mary Daly stating *"The US has an inflation challenge, inflation is eye-popping; but note COVID-19 is still affecting supply chains, which matters for inflation and jobs, and I still see inflation as transitory. Even though its temporary, inflation hurts (although) it would be premature to change the calculation on raising rates."*

James Bullard then added he is *"expecting the US central bank to hike its benchmark rate twice in 2022, after it's finished with winding down its bond-buying program."* Although, he added the caveat that his viewpoint was based on current economic data and that his prediction could change as time progresses.

The November NZ business survey was quite pessimistic with the own activity outlook easing to 15.6% from 21.1% while business confidence plummeted to -18.1% from -13.4% as nearly all of the forward-looking activity indicators eased.

At the peripheral

US initial jobless claims printed at +267k, the October budget deficit hit USD165bn, and the Atlanta Fed has lowered its Q4 GDP estimate to +8.2% from 8.5%.

Stay safe, enjoy the cricket replays, and 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	75.47					CAD	0.8840	0.9171
NZD/USD	0.7080	-0.0003	-0.0011	-0.0029	-0.0086	CHF	0.6496	0.6739
NZD/AUD	0.9639	-0.0005	-0.0020	-0.0045	-0.0110	CNY	4.5233	4.6927
NZD/JPY	80.59	-0.05	-0.22	-0.51	-1.45	DKK	4.5797	4.7512
NZD/EUR	0.6158	-0.0006	-0.0024	-0.0052	-0.0131	FJD	1.4816	1.5371
NZD/GBP	0.5269	-0.0002	-0.0010	-0.0020	-0.0048	HKD	5.5158	5.7224
						KRW	835.90	867.21
AU TWI	61.70					MYR	2.9532	3.0638
AUD/USD	0.7346	0.0001	0.0004	0.0004	-0.0005	NOK	6.1124	6.3413
AUD/NZD	1.0375	0.0005	0.0021	0.0048	0.0120	SEK	6.1537	6.3841
AUD/JPY	83.62	0.00	-0.06	-0.15	-0.55	SGD	0.9574	0.9933
AUD/EUR	0.6389	-0.0003	-0.0012	-0.0024	-0.0063	TWD	19.73	20.47
AUD/GBP	0.5466	0.0000	0.0001	0.0005	0.0013	ZAR	10.9041	11.3125
USD Index	94.81					EQUITIES		
EUR/USD	1.1498	0.0007	0.0028	0.0050	0.0107		Index	
USD/JPY	113.83	-0.02	-0.14	-0.26	-0.67	NZX50	13,022	
GBP/USD	1.3439	0.0001	0.0005	-0.0005	-0.0041	ASX200	7,424	
EUR/GBP	0.8556	0.0004	0.0017	0.0040	0.0106	Dow Jones	36,121	
						S&P 500	4,659	
						FTSE100	7,340	
						DAX 30	16,068	
						Nikkei	29,107	
INTEREST RATES		New Zealand		Australia				
		Borrow	Invest	Borrow	Invest			
30 day bank bills		0.75%	0.72%	0.00%	0.02%	COMMODITIES		
90 day bank bills		0.85%	0.81%	0.06%	0.02%		USD	
FRA 90d in 3mths		1.35%	1.32%	0.15%	0.12%	Dubai Light	83.18	
FRA 180d in 6mths		2.19%	2.12%	0.58%	0.56%	Brent Crude	82.88	
1 year swap		1.66%	1.64%	0.31%	0.29%	Gold	1,845.71	
2 year swap		2.22%	2.19%	0.95%	0.94%	Silver	24.59	
3 year swap		2.49%	2.46%	1.28%	1.27%	CRB Index	251.48	
5 year swap		2.61%	2.59%	1.60%	1.59%		NZD	
10 year swap		2.66%	2.64%	2.10%	2.09%	NZ Carbon	65.20	
10 year Govt bond			2.54%		1.73%			

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