

Market Alert

Friday 12 November 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7017	-0.0029
NZD/AUD	0.9618	-0.0044
NZD/JPY	80.05	-0.52
NZD/EUR	0.6129	-0.0052
NZD/GBP	0.5249	-0.0020
NZD/CNH	4.4842	0.0402
AUD/USD	0.7296	0.0003
AUD/EUR	0.6372	-0.0025
EUR/USD	1.1450	0.0050
USD/CNH	6.3909	0.0840
GBP/USD	1.3369	-0.0004
EUR/GBP	0.8565	0.0041

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.84%	0.04%
2 year swap	2.30%	0.91%
10 year Govt	2.66%	1.81%

One bogey team down, one to go!

Come on, the Black Caps – but first, here is the (very) international news.

The Australian job numbers were a shocker as 46.3k jobs were lost, against an expected increase of 50k. This saw the unemployment rate increase to 5.2% from last month's 4.6%, although the participation rate was relatively steady at 64.7% from September's 64.5%. I do wonder if the poor number can somehow be attributed to companies taking the wage support offered by governments through the lockdowns, but upon the re-opening and businesses not getting the

desired bounce, those businesses are then laying off workers?

Despite mounting COVID-19 related headwinds, the EU Commission has upgraded its GDP growth forecasts for the eurozone to 5.0% from 4.3% in 2021, while it expects 4.3% growth in 2022 and 2.4% in 2023. The Commission is also forecasting eurozone inflation at 2.4% in 2021 and 2.2% and 1.4% in 2022 and 2023. Meanwhile, the UK economy grew 1.3% in Q3, lower than Q2's 5.5% growth and below forecasts of 1.5%.

With the US closed for Veterans Day, yesterday's CPI print is still the biggest concern for traders, but while inflation jumped to a three decade high on supply chain disruptions, some fixed income traders and economists are predicting inflation could start to ease given the recent slide in the Baltic Dry shipping index.

In what was a welcome relief for most New Zealand shoppers, the October food price index fell 0.9% on the month following September's 0.5% increase.

The South Korean central bank governor, Lee Ju-yeol, probably summed it up best when he said, "hot inflation will continue for the time being (and) higher than expected CPI will carry on due to supply bottlenecks and rising oil prices" although "it is difficult to estimate when global supply chain blockages will ease."

While the Evergrande situation appears to be as clouded as ever with some bond-

holders claiming to have received at least part of yesterday's USD148m bond payment, while others claim not to have received anything. Chinese regulators are considering easing the rules to let struggling developers sell off assets to avoid defaults.

While we can all applaud the intentions of COP26, a person 'familiar' with China's position has reiterated that China is in the grips of an energy crisis and is ramping up coal output to record levels. Simply put, energy security is paramount for China and that while China plans to peak emissions by 2030, security will outweigh all other concerns. Interestingly, with all of their domestic issues, China's Central Committee called on the country to "unite around the party with Xi at the core," effectively handing President Xi a mandate to rule for life.

Goldman Sachs sees UK growth outperforming and China lagging next year. It sees the UK growing at 5.3%, up from 5.0%, while they forecast China will slow to 4.8% from 5.5%.

With US bond markets closed for the Veterans Day holiday, equity stabilised after a couple of negative days. This weakness filtered through to the currency equity markets, with the EUR now at 1.1450, while the NZD and AUD also weakened.

It's goodnight from me ... and its goodnight from him.



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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	74.99					CAD	0.8833	0.9184
NZD/USD	0.7017	-0.0003	-0.0011	-0.0029	-0.0085	CHF	0.6466	0.6723
NZD/AUD	0.9618	-0.0005	-0.0019	-0.0044	-0.0112	CNY	4.4846	4.6629
NZD/JPY	80.05	-0.05	-0.22	-0.52	-1.46	DKK	4.5577	4.7390
NZD/EUR	0.6129	-0.0006	-0.0024	-0.0052	-0.0131	FJD	1.4740	1.5327
NZD/GBP	0.5249	-0.0002	-0.0010	-0.0020	-0.0049	HKD	5.4673	5.6847
						KRW	828.55	861.51
AU TWI	61.40					MYR	2.9291	3.0455
AUD/USD	0.7296	0.0001	0.0003	0.0003	-0.0004	NOK	6.0848	6.3267
AUD/NZD	1.0398	0.0005	0.0021	0.0048	0.0122	SEK	6.1150	6.3581
AUD/JPY	83.23	-0.01	-0.06	-0.16	-0.56	SGD	0.9503	0.9880
AUD/EUR	0.6372	-0.0003	-0.0012	-0.0025	-0.0063	TWD	19.55	20.33
AUD/GBP	0.5457	0.0000	0.0000	0.0004	0.0013	ZAR	10.7314	11.1582
USD Index	95.15					EQUITIES		
EUR/USD	1.1450	0.0006	0.0027	0.0050	0.0108		Index	
USD/JPY	114.09	-0.02	-0.14	-0.27	-0.71	NZX50	13,027	
GBP/USD	1.3369	0.0001	0.0005	-0.0004	-0.0038	ASX200	7,382	
EUR/GBP	0.8565	0.0004	0.0017	0.0041	0.0106	Dow Jones	35,950	
						S&P 500	4,654	
						FTSE100	7,384	
						DAX 30	16,083	
						Nikkei	29,278	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.76%	0.73%	0.01%	0.03%	Dubai Light	81.96	
90 day bank bills		0.85%	0.81%	0.06%	0.02%	Brent Crude	82.57	
FRA 90d in 3mths		1.39%	1.36%	0.15%	0.12%	Gold	1,861.92	
FRA 180d in 6mths		2.20%	2.17%	0.59%	0.58%	Silver	25.23	
1 year swap		1.68%	1.66%	0.31%	0.29%	CRB Index	249.43	
2 year swap		2.31%	2.28%	0.92%	0.91%		NZD	
3 year swap		2.57%	2.55%	1.32%	1.29%	NZ Carbon	65.00	
5 year swap		2.70%	2.67%	1.62%	1.61%			
10 year swap		2.75%	2.72%	2.08%	2.07%			
10 year Govt bond			2.64%		1.81%			

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