

Market Alert

Tuesday 16 November 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7054	-0.0029
NZD/AUD	0.9592	-0.0044
NZD/JPY	80.46	-0.52
NZD/EUR	0.6197	-0.0053
NZD/GBP	0.5253	-0.0020
NZD/CNH	4.5022	0.0414
AUD/USD	0.7354	0.0003
AUD/EUR	0.6460	-0.0025
EUR/USD	1.1384	0.0050
USD/CNH	6.3820	0.0855
GBP/USD	1.3430	-0.0004
EUR/GBP	0.8476	0.0040

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.85%	0.05%
2 year swap	2.29%	0.95%
10 year Govt	2.64%	1.77%

Steady as she blows

Overnight the New York Empire State Manufacturing Index jumped to 30.9 in November from 19.8 in October, beating forecasts of 21.2. New orders and shipments increased, employment grew at its fastest pace on record, and the prices paid indexes were close to all time highs.

There was also some 'chit-chat' with US Treasury Secretary, Janet Yellen, discussing inflation stating *"The pandemic has been calling the shots on the economy and inflation. If we want to get inflation down, continuing to make progress against the pandemic is the most important thing we can do."*

Minneapolis Fed president, Neel Kashkari, was also on the newswires stating *"The high prices that families are paying, those are real, and people are experiencing that pain right now. We need to take it very seriously, but my view is we also need to not overreact to some of these temporary factors even though the pain is real."*

The Eurozone trade surplus narrowed to EUR7.3 billion in September, which was slightly above market expectations at EUR6.5 billion, as exports rose 10% although imports rose faster at 21.6%. The ECB's Luis De Guindos also chimed in *"Rising energy costs are weighing on growth"* while the BoE Governor, Andrew Bailey, added *"The November decision was a very close call. We are very uneasy about the inflation situation."*

New Zealand services PMIs continue to plummet with the October print at 44.6 from September's 46.9. It has all change at the RBNZ after the Chief Economist, Yuong Ha, joined the Reserve Governor in announcing he will leave the central bank in 2022.

Yesterday saw some positive Chinese data, which probably caught a few speculators out. Industrial production printed at 3.5% to beat the expected 3.0%, retail sales surged to 4.9% on the year. This was far stronger than the expected 3.5%, fixed asset investments printed at a respectable 6.1% in the year to October against the forecast 6.2% and, finally, the urban unemployment rate came out in line

with expectations at 4.9%. Interestingly, cement output fell 17% in the month as the property sector slumped. There were also a couple of comments from a government official stating *"We expect China's economy to continue recover, consumer inflation to remain mild, and infrastructure investment to pick up as China rolls out key projects. China's employment situation is gradually improving."*

Although the Japanese economy contracted 0.8% in Q3 and 3.0% on the year, when a 0.2% and 0.8% contraction were expected, the BoJ Governor, Kuroda Haruhiko, stated *"Today's weak GDP is likely due to consumption slump in September when a spike in infections hit eating-out and travel. Japan's economy likely to gradually recover in Q4."* However, as a major commodity importer, he added *"rising commodity prices reflect strong global demand, which is positive for Japan's economy overall."*

Bonds retreat

Last night, the big move was in bond yields as the 10 year treasury yield firmed to 1.62%, which was also supportive of the US dollar driving the EUR/USD cross towards its lows at 1.1385, although conversely, the NZD/USD and AUD/USD made small gains. Equities and commodities were flat.

I love it when a plan comes together!



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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	75.24					CAD	0.8828	0.9203
NZD/USD	0.7054	-0.0003	-0.0011	-0.0029	-0.0087	CHF	0.6516	0.6794
NZD/AUD	0.9592	-0.0005	-0.0019	-0.0044	-0.0110	CNY	4.5030	4.6947
NZD/JPY	80.46	-0.05	-0.22	-0.52	-1.48	DKK	4.6083	4.8046
NZD/EUR	0.6197	-0.0006	-0.0024	-0.0053	-0.0135	FJD	1.4788	1.5418
NZD/GBP	0.5253	-0.0002	-0.0010	-0.0020	-0.0050	HKD	5.4949	5.7289
						KRW	831.07	866.46
AU TWI	61.60					MYR	2.9420	3.0673
AUD/USD	0.7354	0.0001	0.0004	0.0003	-0.0007	NOK	6.1457	6.4074
AUD/NZD	1.0426	0.0005	0.0021	0.0048	0.0121	SEK	6.2008	6.4649
AUD/JPY	83.88	0.00	-0.06	-0.16	-0.59	SGD	0.9544	0.9950
AUD/EUR	0.6460	-0.0003	-0.0012	-0.0025	-0.0067	TWD	19.63	20.47
AUD/GBP	0.5476	0.0000	0.0001	0.0004	0.0010	ZAR	10.7706	11.2293
USD Index	95.42					EQUITIES		
EUR/USD	1.1384	0.0006	0.0027	0.0050	0.0109		Index	
USD/JPY	114.07	-0.02	-0.14	-0.27	-0.70	NZX50	12,964	
GBP/USD	1.3430	0.0001	0.0005	-0.0004	-0.0038	ASX200	7,470	
EUR/GBP	0.8476	0.0004	0.0017	0.0040	0.0106	Dow Jones	36,121	
						S&P 500	4,682	
						FTSE100	7,352	
						DAX 30	16,149	
						Nikkei	29,777	
INTEREST RATES		New Zealand		Australia				
		Borrow	Invest	Borrow	Invest			
30 day bank bills		0.79%	0.76%	0.00%	0.02%	COMMODITIES		
90 day bank bills		0.87%	0.83%	0.07%	0.03%		USD	
FRA 90d in 3mths		1.41%	1.38%	0.16%	0.13%	Dubai Light	81.96	
FRA 180d in 6mths		2.23%	2.20%	0.65%	0.64%	Brent Crude	81.68	
1 year swap		1.67%	1.65%	0.34%	0.32%	Gold	1,865.00	
2 year swap		2.31%	2.28%	0.97%	0.93%	Silver	25.09	
3 year swap		2.57%	2.54%	1.35%	1.32%	CRB Index	252.01	
5 year swap		2.69%	2.66%	1.67%	1.60%		NZD	
10 year swap		2.73%	2.70%	2.10%	2.09%	NZ Carbon	64.90	
10 year Govt bond			2.62%		1.77%			

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