

Market Alert

Wednesday 17 November 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6999	-0.0029
NZD/AUD	0.9575	-0.0045
NZD/JPY	80.22	-0.53
NZD/EUR	0.6178	-0.0053
NZD/GBP	0.5207	-0.0020
NZD/CNH	4.4722	0.0407
AUD/USD	0.7310	0.0003
AUD/EUR	0.6452	-0.0026
EUR/USD	1.1329	0.0050
USD/CNH	6.3902	0.0854
GBP/USD	1.3441	-0.0005
EUR/GBP	0.8429	0.0041

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.86%	0.04%
2 year swap	2.33%	0.97%
10 year Govt	2.66%	1.83%

Up, up, and away

The overnight GDT dairy auction saw further gains for the dairy sector with the overall index up 1.9% to record its 7th consecutive positive release with the key butter and WMP prices rallying 3.5% and 1.9% respectively. This will help support the recent rally in the farmgate future prices, which recently traded at a record NZD9.07.

Presidents Xi and Biden had a 'virtual' fireside chat, that didn't reveal anything particularly interesting! However, the

actual US data was surprisingly strong with US retail sales surging 1.7% in October, which was significantly above September's upwardly revised 0.8%, while industrial production rose 1.6%, rebounding from September's 1.3% drop. US September business inventories came out in line with expectations at 0.7% while the St. Louis Fed President, James Bullard, suggested the central bank should speed up its reduction of monetary stimulus due to the recent inflation surge stating "I think it behoves the committee to go in a more hawkish direction in the next couple of meetings, so we are managing the risk of inflation appropriately."

The ECB, in an attempt to ease the shortage of government bonds in the Eurozone due to the EUR1.85trillion PEPP bond buying programme, has doubled the amount of cash they will accept as collateral to EUR150 billion. Meanwhile, ECB president, Christine Lagarde, addressed the EU parliament stating "If we were to have any kind of tightening approach to the current situation, it would actually do more harm than good."

While the RBA minutes reiterated there will be no hike in the cash rate until the central bank's wage and inflation criteria are met, the economy is expected to bounce back quickly as restrictions are eased, and that the RBA remained committed to maintaining highly supportive monetary conditions.

It was during a speech, titled 'Recent Trends in Inflation,' that we got a real insight into the Governor's thinking, when he stated "underlying inflation at 2.5% mid-point would not warrant a rate rise. We need to see underlying inflation well within 2-3% range and confident it will stay there. A sharp rise in underlying inflation would have different policy implications to a slow drift up. The RBA would be prepared to look through a transitory spike in core inflation and it will not hike rates to control house prices."

There is a very low probability of wages picking up fast enough to need rate hikes in 2022. We have yet to see a broad-based pick-up in wages growth in Australia and any chance of unwinding the 10 years of slowdown in wages growth is very, very low, close to zero."

In what could be the first shot of a currency war, Chinese analysts say the onshore yuan may deviate from the US which would mean a stronger CNY.

Welcome back, Kotter

The robust retail sales data saw most US bourses firm, following the negative closes in European.

The data also saw US yields firm, with the 10 year yield up to 1.62%, and the US dollar surge to a 16-month high forcing the NZD/USD and the AUD/USD to monthly lows.



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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	74.85					CAD	0.8787	0.9178
NZD/USD	0.6999	-0.0003	-0.0011	-0.0029	-0.0088	CHF	0.6509	0.6798
NZD/AUD	0.9575	-0.0005	-0.0019	-0.0045	-0.0111	CNY	4.4747	4.6736
NZD/JPY	80.22	-0.05	-0.23	-0.53	-1.50	DKK	4.5941	4.7983
NZD/EUR	0.6178	-0.0006	-0.0024	-0.0053	-0.0136	FJD	1.4788	1.5446
NZD/GBP	0.5207	-0.0003	-0.0010	-0.0020	-0.0048	HKD	5.4491	5.6912
						KRW	825.82	862.52
AU TWI	61.70					MYR	2.9288	3.0590
AUD/USD	0.7310	0.0001	0.0004	0.0003	-0.0007	NOK	6.1070	6.3783
AUD/NZD	1.0444	0.0006	0.0021	0.0049	0.0122	SEK	6.2156	6.4918
AUD/JPY	83.79	-0.01	-0.07	-0.16	-0.60	SGD	0.9492	0.9914
AUD/EUR	0.6452	-0.0003	-0.0012	-0.0026	-0.0068	TWD	19.52	20.38
AUD/GBP	0.5438	0.0000	0.0000	0.0005	0.0012	ZAR	10.8485	11.3306
USD Index	95.85					EQUITIES		
EUR/USD	1.1329	0.0007	0.0028	0.0050	0.0110		Index	
USD/JPY	114.64	-0.02	-0.15	-0.28	-0.71	NZX50	12,903	
GBP/USD	1.3441	0.0001	0.0006	-0.0005	-0.0044	ASX200	7,420	
EUR/GBP	0.8429	0.0005	0.0017	0.0041	0.0110	Dow Jones	36,285	
						S&P 500	4,714	
						FTSE100	7,327	
						DAX 30	16,248	
						Nikkei	29,808	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.84%	0.81%	0.01%	0.03%	Dubai Light	81.40	
90 day bank bills		0.88%	0.84%	0.06%	0.02%	Brent Crude	82.53	
FRA 90d in 3mths		1.42%	1.39%	0.16%	0.13%	Gold	1,851.02	
FRA 180d in 6mths		2.26%	2.23%	0.64%	0.63%	Silver	24.81	
1 year swap		1.69%	1.67%	0.36%	0.34%	CRB Index	252.41	
2 year swap		2.34%	2.31%	0.99%	0.95%		NZD	
3 year swap		2.59%	2.57%	1.37%	1.34%	NZ Carbon	65.10	
5 year swap		2.71%	2.68%	1.72%	1.65%			
10 year swap		2.74%	2.72%	2.14%	2.13%			
10 year Govt bond			2.64%		1.83%			

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