

Market Alert

Thursday 18 November 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7002	-0.0031
NZD/AUD	0.9634	-0.0047
NZD/JPY	79.86	-0.54
NZD/EUR	0.6185	-0.0054
NZD/GBP	0.5188	-0.0021
NZD/CNH	4.4644	0.0407
AUD/USD	0.7268	0.0004
AUD/EUR	0.6421	-0.0025
EUR/USD	1.1319	0.0050
USD/CNH	6.3757	0.0867
GBP/USD	1.3496	-0.0004
EUR/GBP	0.8387	0.0040

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.86%	0.04%
2 year swap	2.35%	0.92%
10 year Govt	2.67%	1.86%

The COVID-19 update

With the northern hemisphere approaching winter, I thought it might be time for an international COVID-19 re-cap as parts of Europe brace themselves for a fourth wave.

Globally, the COVID-19 cases have now exceeded 254.6 million with total deaths passing 5.12 million and more than 7.52 billion vaccine shots given. In amongst this, the Biden administration is offering publicly listed drug manufacturers, including Pfizer and Moderna, funding to expand annual domestic production capacity of vaccines by a further 1 billion doses by the second half of next year.

Just think how much money Bill Gates is going to make after he personally implants a microchip into every one of those vaccines!

In the inflation corner, UK CPI jumped to 4.2% in October to record its highest print since December 2011 as the cost of housing, utilities, and fuel surged. Market forecasts were for a 'modest' 3.9%. It was a similar story in Canada where CPI rose to 4.7% in the year to October, up from a 4.4% increase in September, the index's largest gain since February 2003. Don't worry, there may be some relief in the 'pipeline' after OPEC Secretary, General Mohammed Barkindo, announced *"the oil market will flip to surplus in December (while) the projections show throughout the quarters of next year that there could be oversupply in the market."*

US housing starts unexpectedly fell 0.7% to a 6 month low of 1.52 million in October, well below forecasts of 1.58 million, as the high cost of building materials, supply constraints and labour shortages continue to weigh on the market. Building permits however, surged 4.0% to 1.65 million, beating expectations of 1.64 million.

US President, Joe Biden, says he will be naming the new Fed Chair in *"about 4 days"* as the battle between incumbent, Jerome Powell, and challenger, Lael Brainard, goes to the wire. Meanwhile Fed member, Mary Daly, announced *"Patience is the boldest, best action. Running a sustained expansion gives people time to come back to the jobs*

market. Uncertainty is high over the next 6 to 9 months, not only for the US economy but also globally. It is unclear how, or if, technology will boost productivity growth; investing in human capital is the surer way to get to higher productivity."

Finally, US Treasury Secretary, Janet Yellen, confirmed the US government can be financed until 15 December.

RBA Governor, Philip Lowe's, favourite indicator, the Australia wage price index, grew at a modest 0.6% in Q3, which was slightly above the forecast of 0.5%, while the New Zealand Q3 PPI data showed outputs grew at 1.8%, which was down on Q2's 2.6%, while input's fell to +1.6% from +3.0%.

Japanese September core machinery orders came in flat at 0.0% on the month, when 1.8% was expected, while the trade balance deficit 'eased' to JPY67.4 billion, which was an improvement on the JPY310 billion forecast.

Who loves ya, baby?

Equity bourses eased as traders pondered the global inflation dynamics and locked in some profits. Commodities were also mixed although it should be noted that oil and gas prices eased. US treasury yields continued their recent rally with the 10 years at 1.60%, while the NZD/USD and AUD/USD were flat.



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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	74.89					CAD	0.8830	0.9166
NZD/USD	0.7002	-0.0004	-0.0011	-0.0031	-0.0091	CHF	0.6501	0.6748
NZD/AUD	0.9634	-0.0006	-0.0021	-0.0047	-0.0119	CNY	4.4656	4.6355
NZD/JPY	79.86	-0.05	-0.24	-0.54	-1.53	DKK	4.5998	4.7748
NZD/EUR	0.6185	-0.0007	-0.0026	-0.0054	-0.0139	FJD	1.4710	1.5270
NZD/GBP	0.5188	-0.0003	-0.0011	-0.0021	-0.0052	HKD	5.4532	5.6606
						KRW	828.20	859.71
AU TWI	61.30					MYR	2.9304	3.0418
AUD/USD	0.7268	0.0001	0.0004	0.0004	-0.0005	NOK	6.1269	6.3600
AUD/NZD	1.0380	0.0006	0.0022	0.0051	0.0130	SEK	6.2055	6.4416
AUD/JPY	82.89	-0.01	-0.07	-0.16	-0.57	SGD	0.9499	0.9860
AUD/EUR	0.6421	-0.0003	-0.0013	-0.0025	-0.0066	TWD	19.48	20.23
AUD/GBP	0.5385	0.0000	0.0001	0.0004	0.0012	ZAR	10.8519	11.2647
USD Index	95.82					EQUITIES		
EUR/USD	1.1319	0.0006	0.0028	0.0050	0.0110		Index	
USD/JPY	114.06	-0.02	-0.15	-0.28	-0.71	NZX50	12,837	
GBP/USD	1.3496	0.0001	0.0005	-0.0004	-0.0040	ASX200	7,370	
EUR/GBP	0.8387	0.0004	0.0018	0.0040	0.0107	Dow Jones	35,984	
						S&P 500	4,694	
						FTSE100	7,291	
						DAX 30	16,251	
						Nikkei	29,688	
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	81.05	
90 day bank bills		0.88%	0.84%	0.06%	0.02%	Brent Crude	79.87	
FRA 90d in 3mths		1.45%	1.42%	0.13%	0.10%	Gold	1,865.83	
FRA 180d in 6mths		2.30%	2.26%	0.56%	0.54%	Silver	25.06	
1 year swap		1.72%	1.70%	0.30%	0.28%	CRB Index	252.44	
2 year swap		2.36%	2.34%	0.93%	0.91%		NZD	
3 year swap		2.61%	2.59%	1.33%	1.31%	NZ Carbon	65.10	
5 year swap		2.72%	2.70%	1.73%	1.63%			
10 year swap		2.76%	2.74%	2.13%	2.12%			
10 year Govt bond			2.65%		1.86%			

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