

# Market Alert

Friday 19 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%

## This is not at all surprising ...

... Given Q3's actual inflation print, but the RBNZ's Q4 survey has forecast 1 year inflation will rise to 3.70%, which is up from the 3.02% at the last survey, while the 2 year is up to 2.96% from 2.27%. Needless to say, it gave the NZD a boost against both the USD and the AUD. This rally was also supported by the bounce in equities and a broadly weaker USD as the T-bond eased to 1.59%.

For all those shouting about the transitory elements of this inflation cycle, the Baltic Dry Index, which is often used as a forecaster for CPI, fell for a fifth straight session to its lowest in more than 5 months

as shipping rates slipped across all vessel segments. While this may be a coincidence, or maybe not, following on from the call between their Presidents, both China and the US are looking to release oil from their respective strategic reserves, which has seen crude oil fall below the USD80 per barrel level.

Overnight, US initial unemployment claims fell to a new pandemic low of 268k although it was above market expectations of 260k. On a positive note, claims are now approaching the 200k-250k range which is viewed as consistent with a healthy labour market, although they remain above the 2019 weekly average of 218k. A further positive was the strongest Philadelphia Fed manufacturing print since April as the index rose to 39.0 in November from 23.8 in October.

While the US releases were all very positive, the IMF warned that *"continued high levels of US inflation may necessitate a more front-loaded policy response, (which) could pose a systemic downside for the US and the global economy."*

Chicago Fed President, Charles Evans, forecasts *"inflationary pressures (are set) to recede and I would not be surprised if the unemployment rate is 4.5% by the end of 2021"* although he did concede he had *"expected a more resilient supply chain than what we have seen."* Meanwhile, NY Fed member, John Williams, conceded *"we are seeing broader based increases in inflation. (It is) very hard to measure the natural rate of interest."*

S&P, the global ratings agency, has announced that the highly indebted property developer, Evergrande, will likely default because the company has essentially lost its main business, while Alibaba shares drop 10% as it slashed guidance and earnings due to the slowdown in China.

South Korean chip manufacturer Hynix is planning to boost production by upgrading a mass production facility in China with the latest 'extreme ultraviolet lithography' (EUV) chipmaking machines, much to the detriment of the US government who do not want any advanced equipment used in Chinese factories.

## What you talking about, Willis?

With President Biden now delaying his nomination for Chair of the Federal Reserve, markets are weighing up the merits of the two main candidates.

Should Lael Brainard receive the call, the first move by financial markets would be to price in an even more dovish central bank meaning the Fed would be expected to take longer to raise interest rates or tighten policy than under the current Fed Chair, Jerome Powell.



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

**Barrington**  
TREASURY SERVICES

**Barrington**  
ASSET CONSULTING



**BANCORP**

BANCORP CORPORATE FINANCE LIMITED

# Daily Rates

Friday 19 November 2021

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					<b>EQUITIES</b>		
EUR/USD	1.1319	0.0006	0.0028	0.0050	0.0110		<b>Index</b>	
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	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		<b>COMMODITIES</b>		
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>		<b>USD</b>	
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%		<b>NZD</b>	
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%			

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



**BANCORP**  
BANCORP TREASURY SERVICES LIMITED

**Barrington**  
TREASURY SERVICES

**Barrington**  
ASSET CONSULTING



**BANCORP**  
BANCORP CORPORATE FINANCE LIMITED