

# Market Alert

Monday 22 November 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7010	-0.0033
NZD/AUD	0.9676	-0.0051
NZD/JPY	79.81	-0.57
NZD/EUR	0.6207	-0.0057
NZD/GBP	0.5212	-0.0024
NZD/CNH	4.4794	0.0389
AUD/USD	0.7245	0.0004
AUD/EUR	0.6413	-0.0025
EUR/USD	1.1297	0.0051
USD/CNH	6.3904	0.0861
GBP/USD	1.3455	-0.0003
EUR/GBP	0.8396	0.0040

  

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.91%	0.05%
2 year swap	2.45%	0.93%
10 year Govt	2.61%	1.81%

## The week that was

International equity markets closed last week slightly weaker as the European spike in COVID-19 infections, with the associated wave of new restrictions in northern Europe, dented investor sentiment. There was also an increase in rhetoric that the Fed may accelerate their tapering programme to combat the spike in inflation.

Commodities also closed weaker, with oil, gas and heating oil hit particularly hard, after Japanese Prime Minister, Fumio Kishida, confirmed his government is also considering releasing oil from their

strategic reserves alongside China and the USA. Interestingly, in amongst the 'noise and innuendo,' bond and FX markets were relatively quiet with the 10 year treasury easing back to 1.545%.

It would appear that the recent spike in inflation has tilted a few of the Federal Reserve members to the hawkish side with Vice Chair, Richard Clarida, stating the *"economy is in a very strong position (and it) looks like Q4 will be very strong. There is upside risk to inflation. It may well be appropriate to discuss a speeding up of the taper process at the December meeting."*

Fed Governor, Christopher Waller, is concerned that *"markets don't think we can get inflation under control the next three to five years. My big concern is if inflation gets embedded into wage demands. I would rather end the taper before raising interest rates. My preference is to go fast on the taper. If, in January, we double the pace of tapering, we would be done by the beginning of April. That would give us more policy space with rate hikes as early as Q2 2022."*

And it is a similar story in Europe where ECB member, Jens Weidmann, stated, *"Higher inflation expectations and higher wage growth could strengthen price pressures in the medium term. The fallout from the pandemic could have a marked impact on the inflation setting. And it could well be that inflation rates will not fall below our target over the medium term, as previously forecast. We should not ignore the risk of too high inflation."*

Which is contradictory to ECB President, Christine Lagarde's, comments on the previous day, when she reiterated that the ECB shouldn't tighten monetary policy despite the *"painful"* inflation.

Interestingly, an advisor to the Chinese central bank, Liu Shijin, announced that the economy could enter a period of 'quasi-stagflation' with relatively slow growth and excessively high producer-price inflation, and that such a scenario is *"very likely"* if demand remains weak, producer prices stay high, corporate profits are squeezed, and the existing risks in the economy are *"released too quickly."*

## This week ...

it is all about the RBNZ with Wednesday's MPS meeting being the last of 2021. There is no doubt the Governor will hike, but the question is, by how much and how will the central bank's forecasts change, given the recent CPI and unemployment releases?

We also have the release of the FOMC minutes although the announcement of the Fed chair will take the spotlight in the shortened 'Thanksgiving' week, while market participants will also be keeping a close eye on the European COVID-19 situation.



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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	75.11					CAD	0.8848	0.9144
NZD/USD	0.7010	-0.0004	-0.0012	-0.0033	-0.0093	CHF	0.6501	0.6719
NZD/AUD	0.9676	-0.0006	-0.0022	-0.0051	-0.0126	CNY	4.4777	4.6279
NZD/JPY	79.81	-0.06	-0.24	-0.57	-1.57	DKK	4.6158	4.7706
NZD/EUR	0.6207	-0.0007	-0.0026	-0.0057	-0.0143	FJD	1.4675	1.5167
NZD/GBP	0.5212	-0.0003	-0.0011	-0.0024	-0.0057	HKD	5.4481	5.6308
						KRW	829.52	857.35
AU TWI	61.10					MYR	2.9330	3.0314
AUD/USD	0.7245	0.0001	0.0004	0.0004	-0.0002	NOK	6.2466	6.4561
AUD/NZD	1.0335	0.0007	0.0023	0.0055	0.0136	SEK	6.2624	6.4724
AUD/JPY	82.59	-0.01	-0.07	-0.16	-0.56	SGD	0.9533	0.9852
AUD/EUR	0.6413	-0.0003	-0.0013	-0.0025	-0.0065	TWD	19.44	20.09
AUD/GBP	0.5385	0.0000	0.0000	0.0004	0.0011	ZAR	11.0422	11.4125
USD Index	96.03					<b>EQUITIES</b>		
EUR/USD	1.1297	0.0006	0.0028	0.0051	0.0113		<b>Index</b>	
USD/JPY	114.00	-0.02	-0.15	-0.28	-0.73	NZX50	12,740	
GBP/USD	1.3455	0.0000	0.0006	-0.0003	-0.0033	ASX200	7,397	
EUR/GBP	0.8396	0.0004	0.0017	0.0040	0.0104	Dow Jones	35,602	
						S&P 500	4,698	
						FTSE100	7,224	
						DAX 30	16,160	
						Nikkei	29,746	
<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		0.86%	0.83%	0.00%	0.02%	Dubai Light	81.00	
90 day bank bills		0.93%	0.89%	0.07%	0.03%	Brent Crude	78.89	
FRA 90d in 3mths		1.54%	1.51%	0.13%	0.10%	Gold	1,845.33	
FRA 180d in 6mths		2.40%	2.37%	0.55%	0.54%	Silver	24.59	
1 year swap		1.82%	1.80%	0.30%	0.29%	CRB Index	249.82	
2 year swap		2.46%	2.44%	0.94%	0.92%		<b>NZD</b>	
3 year swap		2.71%	2.69%	1.35%	1.34%	NZ Carbon	64.90	
5 year swap		2.83%	2.81%	1.65%	1.64%			
10 year swap		2.86%	2.84%	2.09%	2.08%			
10 year Govt bond			2.59%		1.81%			

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