

Market Alert

Tuesday 23 November 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6958	-0.0032
NZD/AUD	0.9625	-0.0050
NZD/JPY	79.96	-0.57
NZD/EUR	0.6190	-0.0057
NZD/GBP	0.5195	-0.0023
NZD/CNH	4.4448	0.0387
AUD/USD	0.7229	0.0004
AUD/EUR	0.6431	-0.0026
EUR/USD	1.1241	0.0053
USD/CNH	6.3884	0.0851
GBP/USD	1.3393	-0.0001
EUR/GBP	0.8393	0.0041

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.91%	0.05%
2 year swap	2.43%	0.99%
10 year Govt	2.60%	1.79%

Congratulations J, you've got the job

Last night it was the turn of the central bank Governors to get their names in lights, and first off the block was a relieved Jerome Powell who has been confirmed as President Biden's nomination for a second 4 year term as Chair of the Federal Reserve as Mr Biden, "trusts Powell's independence."

The financial markets view the re-appointment as a sign of stability, and that the central bank will continue its tightening plans. The alternative, Lael Brainard, who was nominated to be the vice-chair, was seen as more dovish.

The appointments will now need to be 'rubber' stamped' by the senate, which shouldn't be an issue. Although, Elizabeth Warren has already stated "It's no secret I oppose Chair Jerome Powell's renomination, and I will vote against him. I will support the President's nomination of Lael Brainard as Vice Chair. Powell's failures on regulation, climate, and ethics make vice chair spot critically important."

The BoE Governor, Andrew Bailey, gave an interview highlighting the 'two-sided' debate over inflation, stressing that while economic activity is slowing, supply-side issues are stoking prices, "The proximate cause of many of these inflation issues is on the supply side, and monetary policy isn't going to solve those directly. It doesn't get more gas, more computer chips, more lorry drivers. If the economy evolves in the way the forecasts and reports suggest, we'll have to raise rates which, by the way, is entirely consistent with what I said, in October."

Speaking of supply chains, there is an article in the *Wall Street Journal* stating that while global supply chain woes may be starting to recede, there are still issues to overcome. "Most big U.S. retailers have imported what they need for the holiday season, while the cost to move a container across the Pacific has fallen by more than a quarter with its biggest decline in 2 years." However. "The ongoing port congestion in the US, shortages of truck drivers and elevated global freight rates continue to hang over any recovery. The risk

of more extreme weather and flare-ups of COVID-19 cases can also threaten to clog up supply chains again."

There were few data releases overnight, most of these being second tier. Existing US home sales soared to their highest level since January increasing +0.8% on the month to an annualised rate of 6.34 million in October 2021, above market forecasts of 6.2 million. European consumer confidence fell to its lowest level since April easing to -6.8 in November, which was below market expectations of -5.5

"Surely you can't be serious"

"I am serious, and don't call me Shirley!"

The extension of Jerome Powell's contract for another 4 years saw treasury yields rise and the USD find further support as 'continuity' became the play of the day. This ultimately saw the 10-year treasury yield firm back to 1.61% while the USD-index resumed its charge towards the 97.40 level.

This USD strength hit the NZD/USD particularly hard as it consolidated its break below the 0.7000 level while the AUD/USD remained steady. Equity and commodity markets were mixed.



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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	74.70					CAD	0.8833	0.9177
NZD/USD	0.6958	-0.0004	-0.0011	-0.0032	-0.0091	CHF	0.6486	0.6738
NZD/AUD	0.9625	-0.0006	-0.0021	-0.0050	-0.0124	CNY	4.4425	4.6156
NZD/JPY	79.96	-0.06	-0.25	-0.57	-1.59	DKK	4.6031	4.7824
NZD/EUR	0.6190	-0.0007	-0.0027	-0.0057	-0.0145	FJD	1.4740	1.5314
NZD/GBP	0.5195	-0.0003	-0.0012	-0.0023	-0.0056	HKD	5.4193	5.6304
						KRW	824.62	856.75
AU TWI	61.00					MYR	2.9268	3.0408
AUD/USD	0.7229	0.0001	0.0004	0.0004	-0.0002	NOK	6.2114	6.4534
AUD/NZD	1.0390	0.0006	0.0023	0.0054	0.0136	SEK	6.2535	6.4971
AUD/JPY	83.08	-0.01	-0.08	-0.17	-0.59	SGD	0.9495	0.9864
AUD/EUR	0.6431	-0.0003	-0.0014	-0.0026	-0.0068	TWD	19.34	20.09
AUD/GBP	0.5397	0.0000	0.0000	0.0004	0.0011	ZAR	11.0264	11.4559
USD Index	96.47					EQUITIES		
EUR/USD	1.1241	0.0006	0.0030	0.0053	0.0118		Index	
USD/JPY	114.93	-0.02	-0.17	-0.30	-0.79	NZX50	12,608	
GBP/USD	1.3393	0.0000	0.0008	-0.0001	-0.0031	ASX200	7,353	
EUR/GBP	0.8393	0.0004	0.0018	0.0041	0.0108	Dow Jones	35,820	
						S&P 500	4,718	
						FTSE100	7,255	
						DAX 30	16,116	
						Nikkei	29,774	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.88%	0.85%	0.01%	0.03%	Dubai Light	78.50	
90 day bank bills		0.93%	0.89%	0.07%	0.03%	Brent Crude	79.71	
FRA 90d in 3mths		1.53%	1.50%	0.15%	0.12%	Gold	1,805.57	
FRA 180d in 6mths		2.39%	2.36%	0.63%	0.61%	Silver	24.14	
1 year swap		1.81%	1.79%	0.33%	0.32%	CRB Index	249.82	
2 year swap		2.44%	2.42%	1.00%	0.98%		NZD	
3 year swap		2.70%	2.67%	1.41%	1.40%	NZ Carbon	64.80	
5 year swap		2.83%	2.81%	1.74%	1.66%			
10 year swap		2.88%	2.86%	2.18%	2.17%			
10 year Govt bond			2.58%	1.79%				

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