

Market Alert

Monday 29 November 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6828	-0.0026
NZD/AUD	0.9580	-0.0042
NZD/JPY	77.49	-0.48
NZD/EUR	0.6028	-0.0051
NZD/GBP	0.5122	-0.0019
NZD/CNH	4.3676	0.0429
AUD/USD	0.7126	0.0005
AUD/EUR	0.6304	-0.0026
EUR/USD	1.1304	0.0054
USD/CNH	6.3975	0.0870
GBP/USD	1.3328	0.0001
EUR/GBP	0.8481	0.0040

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	0.80%	0.05%
2 year swap	2.16%	0.91%
10 year Govt	2.52%	1.74%

It's all about B.1.1.529

Well, the lull of Thanksgiving ended with a bang amid fears a new COVID-19 variant, Omicron B.1.1.529, could spark fresh outbreaks and scuttle the fragile economic recovery. First discovered in South Africa, it has now been detected in Britain, Germany, Italy, the Netherlands, Denmark, Belgium, Botswana, Israel, Australia and Hong Kong, with many countries already imposing travel bans or curbs on flights from southern Africa to try to stem the spread.

Financial markets dived and safe-haven assets surged on Friday as investors worried that the variant could stall

the global recovery. European stocks plunged more than 3% to six-week lows, while the US bourses were off over 2% with the S&P 500 having its worst day since February. Crude oil tumbled below USD70 a barrel for the first time since late September while gold benefited from its safe haven status rallying 0.24%. Treasuries also jumped, which saw yields fall with the 10 year US treasury easing to 1.47% and the bund to -0.34%. the commodity currencies were also hit in amongst the 'risk-off' environment which saw the NZD and AUD weaken, although the EUR/USD reverted from its recent bout of weakness to bounce back above the 1.13 level.

As yet, no-one knows as to whether the current vaccines are effective against the new highly mutated strain of the virus, but the 'big Pharma' companies have stated they can adapt their mRNA vaccine within 6 weeks and start shipping batches within 100 days if an escape variant is identified.

Aside from B.1.1.529

There were very few headlines aside from the Omicron news.

Fed member and Atlanta President, Raphael Bostic, favours a faster tapering profile, stating "My team has been researching how quickly the Fed might need to halt asset purchases in order to combat inflation. Open to accelerating tapering to have more optionality. Early Q2 2022 and

the end of Q1 2022 are in play for ending the taper."

RBNZ Deputy Governor and last man standing behind Mr Orr, Christian Hawkesby, announced "We need to lean against domestic price pressures. The New Zealand economy very resilient (but) we need to keep removing stimulus. (The) risks to the outlook are finely balanced. We have a tight labour market. We see a risk that inflation expectations could rise."

Australia October retail sales surged 4.9% when just 2.5% was expected as the economy starts to re-open while Tokyo CPI surged 0.5% on the year from October's 0.1% increase.

Chinese industrial profits surged 24.6% in October and 42.2% on the year while a PBoC official stated "the Central Bank will maintain ample liquidity in order to support jobs."

In the week ahead, focus will turn to the US non-farm payrolls report on Friday evening, which should point to a continued recovery in the labour market.

Elsewhere Fed Chair, Jerome Powell, will testify before Congress, while a highly anticipated OPEC+ meeting is expected to offer guidance into the coalition's crude oil output plans. We also have the release of various manufacturing and services PMIs, while we have Australian Q3 GDP and the trade balance. Finally, we have the Eurozone inflation report and Japanese industrial output and retail trade.



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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	73.54					CAD	0.8728	0.9111
NZD/USD	0.6828	-0.0003	-0.0009	-0.0026	-0.0076	CHF	0.6302	0.6578
NZD/AUD	0.9580	-0.0005	-0.0018	-0.0042	-0.0106	CNY	4.3622	4.5534
NZD/JPY	77.49	-0.05	-0.20	-0.48	-1.34	DKK	4.4899	4.6867
NZD/EUR	0.6028	-0.0007	-0.0024	-0.0051	-0.0127	FJD	1.4465	1.5099
NZD/GBP	0.5122	-0.0002	-0.0010	-0.0019	-0.0047	HKD	5.3165	5.5496
						KRW	814.30	850.00
AU TWI	60.40					MYR	2.8940	3.0209
AUD/USD	0.7126	0.0001	0.0004	0.0005	-0.0001	NOK	6.1755	6.4462
AUD/NZD	1.0438	0.0006	0.0019	0.0046	0.0116	SEK	6.2434	6.5171
AUD/JPY	80.90	-0.01	-0.06	-0.15	-0.51	SGD	0.9358	0.9768
AUD/EUR	0.6304	-0.0003	-0.0013	-0.0026	-0.0064	TWD	19.01	19.84
AUD/GBP	0.5347	0.0000	0.0000	0.0003	0.0010	ZAR	11.0765	11.5621
USD Index	96.09					EQUITIES		
EUR/USD	1.1304	0.0007	0.0030	0.0054	0.0114		Index	
USD/JPY	113.53	-0.02	-0.15	-0.28	-0.70	NZX50	12,629	
GBP/USD	1.3328	0.0001	0.0009	0.0001	-0.0026	ASX200	7,279	
EUR/GBP	0.8481	0.0005	0.0017	0.0040	0.0103	Dow Jones	34,899	
						S&P 500	4,595	
						FTSE100	7,044	
						DAX 30	15,257	
						Nikkei	28,752	
						COMMODITIES		
							USD	
						Dubai Light	80.19	
						Brent Crude	72.72	
						Gold	1,790.01	
						Silver	23.13	
						CRB Index	241.01	
							NZD	
						NZ Carbon	64.90	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.81%	0.78%	-0.01%	0.02%
90 day bank bills	0.83%	0.80%	0.07%	0.03%
FRA 90d in 3mths	1.32%	1.29%	0.13%	0.10%
FRA 180d in 6mths	2.06%	2.03%	0.51%	0.50%
1 year swap	1.55%	1.52%	0.29%	0.29%
2 year swap	2.17%	2.14%	0.96%	0.87%
3 year swap	2.47%	2.44%	1.26%	1.21%
5 year swap	2.65%	2.62%	1.57%	1.55%
10 year swap	2.74%	2.72%	1.98%	1.97%
10 year Govt bond		2.50%		1.74%

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