

Market Alert

Monday 8 November 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7110	-0.0029
NZD/AUD	0.9609	-0.0043
NZD/JPY	80.65	-0.50
NZD/EUR	0.6154	-0.0051
NZD/GBP	0.5274	-0.0020
NZD/CNH	4.5458	0.0441
AUD/USD	0.7399	0.0003
AUD/EUR	0.6402	-0.0024
EUR/USD	1.1557	0.0049
USD/CNH	6.3944	0.0886
GBP/USD	1.3487	-0.0003
EUR/GBP	0.8569	0.0038

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.80%	0.05%
2 year swap	2.20%	0.80%
10 year Govt	2.57%	1.81%

Non-farm surges, but where are the believers?

Friday was all about the non-farm payroll release, which saw the US economy add 531k jobs in October and record the index's highest print in three months, and well above the 450k increase the market was expecting, as COVID-19 cases dropped, and employers offered higher wages and more flexible hours in an attempt to attract workers. Private payroll also made solid gains, printing at 604k against an expectation of 420k, while the overall unemployment rate eased to 4.6%, which contributed to increases in average hourly earnings,

which increased 0.4% on the month and 4.9% on the year.

While the non-farm payrolls report was solid, it wasn't strong enough to shake anyone out of their beliefs as the markets continued to price out rate hikes and squeeze bond shorts. This saw the 10-year Treasury yield fall below 1.50%, to close at 1.45%, while the JPY finally found some support. The USD also made some initial headway, especially against the EUR which fell to its lowest level since July 2020, but the dollar support was short lived with the USD eventually closing flat. This saw the NZD/USD and the AUD/USD close the session flat. Equity markets liked the blend of surging employment with a pessimistic interest rate outlook, which saw the US bourses trade at record highs, with the August 2020 rally remaining in place.

All of this led to Kansas City Fed member, Esther George, stating "*Judging if we've achieved max employment will be a question of whether workers on the sidelines will come back over time; that's likely to happen. We will be watching inflation expectations and wage inflation. We're likely to see some moderation in inflation.*"

There were also a few announcements out of China over the weekend. First up, their trade surplus surged to a record high of USD84.54 billion in October from September's USD57.32 billion, easily beating market forecasts of USD65.55 billion as exports surged

27.1% while imports grew at 20.6%. Meanwhile, China's FX reserves increased to USD3.218 trillion in October, up from USD3.201 trillion in September, while Chinese regulators have told the local banks to cap their wealth management assets at current levels. Finally, China's state planner says coal inventory levels are back to normal.

Friday's RBA *Statement on Monetary Policy* repeated the 'old mantra' that they will need to see wages growth materially higher before they contemplate a rate hike, although there was a condition this time as any "*rate hike will be in 2024 according to our forecasts, unless conditions to hike are met earlier than that.*"

Japanese September household spending surged 5.0% on the month when just a 2.8% increase was expected.

Goldman Sachs has recommended everyone remain bullish on oil prices and that any releases from the US strategic reserves will just be a temporary relief with the potential to back-fire.

Australian services PMI for October increased to 47.6, from September's 45.7.

Well done, 'Black Caps'

Let's hope the ABs work on those handling skills. Stay safe, enjoy the weather, and hey, let's be careful out there!



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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	75.70					CAD	0.8868	0.9228
NZD/USD	0.7110	-0.0003	-0.0011	-0.0029	-0.0087	CHF	0.6495	0.6759
NZD/AUD	0.9609	-0.0005	-0.0019	-0.0043	-0.0109	CNY	4.5554	4.7407
NZD/JPY	80.65	-0.04	-0.22	-0.50	-1.40	DKK	4.5749	4.7610
NZD/EUR	0.6154	-0.0006	-0.0024	-0.0051	-0.0129	FJD	1.4812	1.5415
NZD/GBP	0.5274	-0.0002	-0.0010	-0.0020	-0.0052	HKD	5.5389	5.7642
						KRW	843.90	878.24
AU TWI	62.10					MYR	2.9465	3.0663
AUD/USD	0.7399	0.0001	0.0004	0.0003	-0.0006	NOK	6.0820	6.3294
AUD/NZD	1.0407	0.0005	0.0021	0.0047	0.0120	SEK	6.0947	6.3426
AUD/JPY	83.90	0.00	-0.06	-0.14	-0.51	SGD	0.9611	1.0002
AUD/EUR	0.6402	-0.0003	-0.0012	-0.0024	-0.0062	TWD	19.72	20.52
AUD/GBP	0.5486	0.0000	0.0000	0.0004	0.0009	ZAR	10.7014	11.1368
USD Index	94.32					EQUITIES		
EUR/USD	1.1557	0.0006	0.0027	0.0049	0.0103		Index	
USD/JPY	113.40	-0.02	-0.13	-0.24	-0.59	NZX50	13,075	
GBP/USD	1.3487	0.0001	0.0005	-0.0003	-0.0033	ASX200	7,457	
EUR/GBP	0.8569	0.0004	0.0016	0.0038	0.0097	Dow Jones	36,328	
						S&P 500	4,698	
						FTSE100	7,304	
						DAX 30	16,054	
						Nikkei	29,612	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.71%	0.68%	0.01%	0.03%	Dubai Light	78.85	
90 day bank bills		0.83%	0.80%	0.07%	0.03%	Brent Crude	82.74	
FRA 90d in 3mths		1.32%	1.29%	0.15%	0.12%	Gold	1,818.07	
FRA 180d in 6mths		2.08%	2.05%	0.51%	0.50%	Silver	24.14	
1 year swap		1.58%	1.55%	0.29%	0.27%	CRB Index	249.80	
2 year swap		2.21%	2.19%	0.80%	0.79%		NZD	
3 year swap		2.48%	2.45%	1.13%	1.12%	NZ Carbon	65.30	
5 year swap		2.61%	2.59%	1.53%	1.52%			
10 year swap		2.68%	2.66%	1.95%	1.95%			
10 year Govt bond			2.55%		1.81%			

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