

Market Alert

Tuesday 9 November 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7166	-0.0029
NZD/AUD	0.9654	-0.0044
NZD/JPY	81.12	-0.50
NZD/EUR	0.6184	-0.0051
NZD/GBP	0.5288	-0.0020
NZD/CNH	4.5768	0.0441
AUD/USD	0.7423	0.0003
AUD/EUR	0.6406	-0.0024
EUR/USD	1.1588	0.0049
USD/CNH	6.3873	0.0879
GBP/USD	1.3552	-0.0005
EUR/GBP	0.8551	0.0039

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.82%	0.05%
2 year swap	2.18%	0.81%
10 year Govt	2.55%	1.75%

All of the chit-chat

The New York Fed's October Survey of Consumer Expectations saw inflation expectations for the year ahead increase by 0.4% to a new record high of 5.7% in October. In a familiar story, consumers expect inflation pressures to rise for houses, gas, education, food, and rent. Of little comfort is the fact that the 3 year inflation expectations remain unchanged at 4.2% after increasing for three consecutive months. However, with little actual data out, it was left to the central bank governors to fill in the space ...

BoE Governor, Andrew Bailey, stated "much of the rise inflation has to do with reopening after the lockdowns. What we are concerned about is once we have increased inflation, we want to stop becoming generalised. We would, and will, have to act with rates if we see evidence of higher inflation expectations feeding into wages."

BoC Governor, Tiff Macklem, added "inflation is transitory but not short-lived. I want to assure Canadians that we are going to keep inflation under control. And we have the tools, we have the mandate, and we will be adjusting our tools to bring inflation back to target."

While the ECB's chief economist, Philip Lane, added the "ECB assessed that near-term supply bottlenecks and rising energy prices are the main risks to the pace of recovery and the outlook for inflation. Inflationary pressures need to build on a persistent basis in order to stabilise inflation at 2% over the medium term. We have solid reasons to expect inflation to decline in the coming year."

Federal Reserve Governor, Michelle Bowman, gave her first speech stating "a challenge with higher inflation is its greater effect on the low, moderate income people. There is a risk that food and energy price spikes can have a bigger than thought impact on inflation expectations. We are watching for signs that labour market might become too hot."

Finally, Fed member and 2023 voter, Patrick Harker, stated he "does not expect the Fed to raise rates until after tapering. I expect inflation to moderate next year as supply chains come back online and bottlenecks ease. The US should see another growth spurt to more than 4% next year if another major COVID-19 wave can be avoided. I expect economic growth to return to between 2% and 3% in 2023."

Overall, equity markets were weak although stronger commodity prices supported the AUD/USD and NZD/USD, while the 10-year T-bond firmed to 1.49%.

Best of the rest

JP Morgan has downgraded its Q4 GDP projections for China five times since August and is now expecting growth of just 4.0% on the quarter, down from 5.0%, and 7.8% for the year. For 2022 it is forecasting 4.7% as the "ongoing impact from the power shortages and rekindling of COVID-19 outbreaks" continue to impact.

Goldman Sachs analysts say they see reasons for optimism regarding the resolution of supply chain bottlenecks as "shipping rates have generally declined from September's peak," while JP Morgan sees "signs global production bottlenecks may have begun to ease." Mind you, the Suez Canal is hiking rates with tolls rising by 6% in 2022.

Stay safe, 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	76.11					CAD	0.8926	0.9246
NZD/USD	0.7166	-0.0003	-0.0011	-0.0029	-0.0086	CHF	0.6544	0.6779
NZD/AUD	0.9654	-0.0005	-0.0020	-0.0044	-0.0109	CNY	4.5807	4.7451
NZD/JPY	81.12	-0.05	-0.22	-0.50	-1.41	DKK	4.5996	4.7646
NZD/EUR	0.6184	-0.0006	-0.0024	-0.0051	-0.0129	FJD	1.4900	1.5435
NZD/GBP	0.5288	-0.0002	-0.0010	-0.0020	-0.0049	HKD	5.5803	5.7805
						KRW	847.76	878.19
AU TWI	62.00					MYR	2.9671	3.0736
AUD/USD	0.7423	0.0001	0.0004	0.0003	-0.0006	NOK	6.0974	6.3163
AUD/NZD	1.0359	0.0006	0.0021	0.0047	0.0118	SEK	6.1435	6.3640
AUD/JPY	84.03	0.00	-0.06	-0.14	-0.52	SGD	0.9656	1.0003
AUD/EUR	0.6406	-0.0003	-0.0012	-0.0024	-0.0062	TWD	19.87	20.58
AUD/GBP	0.5477	0.0000	0.0001	0.0004	0.0011	ZAR	10.6816	11.0650
USD Index	94.07					EQUITIES		
EUR/USD	1.1588	0.0006	0.0027	0.0049	0.0105		Index	
USD/JPY	113.22	-0.02	-0.14	-0.24	-0.61	NZX50	13,041	
GBP/USD	1.3552	0.0001	0.0005	-0.0005	-0.0037	ASX200	7,452	
EUR/GBP	0.8551	0.0004	0.0017	0.0039	0.0101	Dow Jones	36,384	
						S&P 500	4,700	
						FTSE100	7,300	
						DAX 30	16,047	
						Nikkei	29,507	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.73%	0.69%	0.01%	0.03%	Dubai Light	81.74	
90 day bank bills		0.84%	0.80%	0.07%	0.03%	Brent Crude	83.24	
FRA 90d in 3mths		1.32%	1.29%	0.15%	0.12%	Gold	1,825.98	
FRA 180d in 6mths		2.11%	2.08%	0.54%	0.53%	Silver	24.48	
1 year swap		1.58%	1.55%	0.29%	0.28%	CRB Index	249.80	
2 year swap		2.19%	2.17%	0.82%	0.80%		NZD	
3 year swap		2.46%	2.44%	1.19%	1.16%	NZ Carbon	65.20	
5 year swap		2.61%	2.58%	1.53%	1.52%			
10 year swap		2.68%	2.66%	2.01%	2.00%			
10 year Govt bond			2.53%		1.75%			

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