

Market Alert

Wednesday 1 December 2021

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6817 | -0.0025 |
| NZD/AUD | 0.9584 | -0.0042 |
| NZD/JPY | 77.10 | -0.47 |
| NZD/EUR | 0.6027 | -0.0051 |
| NZD/GBP | 0.5138 | -0.0019 |
| NZD/CNH | 4.3404 | 0.0441 |
| AUD/USD | 0.7113 | 0.0006 |
| AUD/EUR | 0.6288 | -0.0025 |
| EUR/USD | 1.1311 | 0.0055 |
| USD/CNH | 6.3670 | 0.0880 |
| GBP/USD | 1.3268 | 0.0002 |
| EUR/GBP | 0.8525 | 0.0040 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 0.75% | 0.10% |
| 90 day bills | 0.81% | 0.05% |
| 2 year swap | 2.10% | 0.90% |
| 10 year Govt | 2.49% | 1.69% |

Well, that certainly was a 180

In testifying before a US Senate banking committee, Fed Chair, Jerome Powell, did a complete 180 degree turn on his previous 'inflation is transitory' byline, stating, "we tend to use it (transitory) to mean that it won't leave a permanent mark in the form of higher inflation, I think it's a good time to retire that word and try to explain more clearly what we mean." He then added, "Price increases have spread more broadly over recent months (and the) risk of higher inflation has increased. It's appropriate to talk about speeding up tapering at coming meetings."

With Mr Powell acknowledging the Fed will consider speeding up its tapering cycle by "a few months." at its next FOMC meeting, the implied risk is that the Fed will also fast-track its hiking cycle. This saw equity markets fall between 1.0% and 2.0%, while commodities took an absolute bath with oil off 7.0%. Treasuries saw some safe haven buying, which saw the 10-year US yield ease back to 1.44%, while currencies were surprisingly quiet as investors sought the CHF, JPY and, to a lesser extent, the EUR. The NZD and AUD were slightly weaker.

In his pre-prepared statement, Mr Powell also added "factors pushing inflation upward will linger well into next year. Inflation is running well above its 2% goal, pushed up by pandemic-related supply and demand imbalances. We continue to expect inflation will move down significantly over the next year," while US Treasury Secretary, Janet Yellen, who was also testifying, chimed in, "we are seeing inflation all around developing world. Confident at 'this point' that the US recovery will continue to be strong. It is critical for Congress to address the US debt limit. Failure to address the debt ceiling will eviscerate the US economic recovery."

Apart from the Senate testimony

Fed Vice-Chair, Richard Clarida, stated that he believes a financial crisis was

averted during the pandemic before adding, "Getting inflation down close to 2% is the key to managing expectations."

In New Zealand, business confidence improved to -16.4% from -18.1%, while the own activity outlook eased back to 15.0% from its previous 21.1%. In addition, one of the local banks upgraded their farmgate milk price by 60 cents to NZD8.80/kg MS for the 2021-22 season and increased the 2022-23 season to NZD8.00/kg MS.

The Australian data was mixed after October private sector credit grew at 0.5% on the month and 5.7% on the year, building permits fell 12.9% on the month, and Q3 net exports as a percentage of GDP increased 1.0%.

ECB vice president, Luis de Guindos stated he is "confident that bond buying will continue throughout 2022, but beyond next year, I do not know. Any rate increase will only come 'shortly after' QE ends."

China manufacturing PMIs moved into expansion territory for November at 50.1 verse the expected 49.6 as the impact of the recent power shortages subsided and local coal producers boosted output and inventories.

Moderna CEO stated, "There will be a material drop in vaccine effectiveness against omicron. I think it is going to be a material drop, (we're just) not sure by how much."



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Daily Rates

Wednesday 1 December 2021

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------|--------|------------|---------|---------|---------|--------------------|--------------|---------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 73.35 | | | | | CAD | 0.8730 | 0.9109 |
| NZD/USD | 0.6817 | -0.0002 | -0.0008 | -0.0025 | -0.0074 | CHF | 0.6271 | 0.6544 |
| NZD/AUD | 0.9584 | -0.0008 | -0.0018 | -0.0042 | -0.0104 | CNY | 4.3396 | 4.5282 |
| NZD/JPY | 77.10 | -0.08 | -0.19 | -0.47 | -1.32 | DKK | 4.4822 | 4.6770 |
| NZD/EUR | 0.6027 | -0.0011 | -0.0024 | -0.0051 | -0.0126 | FJD | 1.4470 | 1.5099 |
| NZD/GBP | 0.5138 | -0.0006 | -0.0010 | -0.0019 | -0.0046 | HKD | 5.3153 | 5.5463 |
| | | | | | | KRW | 809.94 | 845.14 |
| AU TWI | 60.20 | | | | | MYR | 2.8693 | 2.9940 |
| AUD/USD | 0.7113 | 0.0004 | 0.0005 | 0.0006 | 0.0000 | NOK | 6.1804 | 6.4490 |
| AUD/NZD | 1.0435 | 0.0009 | 0.0020 | 0.0046 | 0.0114 | SEK | 6.1574 | 6.4249 |
| AUD/JPY | 80.45 | -0.02 | -0.05 | -0.13 | -0.51 | SGD | 0.9315 | 0.9720 |
| AUD/EUR | 0.6288 | -0.0006 | -0.0013 | -0.0025 | -0.0064 | TWD | 18.89 | 19.71 |
| AUD/GBP | 0.5361 | -0.0002 | 0.0000 | 0.0004 | 0.0010 | ZAR | 10.8725 | 11.3450 |
| USD Index | 96.09 | | | | | EQUITIES | | |
| EUR/USD | 1.1311 | 0.0016 | 0.0031 | 0.0055 | 0.0116 | | Index | |
| USD/JPY | 113.12 | -0.09 | -0.15 | -0.27 | -0.72 | NZX50 | 12,719 | |
| GBP/USD | 1.3268 | 0.0011 | 0.0010 | 0.0002 | -0.0026 | ASX200 | 7,256 | |
| EUR/GBP | 0.8525 | 0.0005 | 0.0017 | 0.0040 | 0.0104 | Dow Jones | 34,650 | |
| | | | | | | S&P 500 | 4,586 | |
| | | | | | | FTSE100 | 7,059 | |
| | | | | | | DAX 30 | 15,100 | |
| | | | | | | Nikkei | 27,822 | |
| | | | | | | COMMODITIES | | |
| | | | | | | | USD | |
| | | | | | | Dubai Light | 70.97 | |
| | | | | | | Brent Crude | 68.48 | |
| | | | | | | Gold | 1,776.39 | |
| | | | | | | Silver | 22.86 | |
| | | | | | | CRB Index | 239.93 | |
| | | | | | | | NZD | |
| | | | | | | NZ Carbon | 65.00 | |

| INTEREST RATES | New Zealand | | Australia | |
|-------------------|-------------|--------|-----------|--------|
| | Borrow | Invest | Borrow | Invest |
| 30 day bank bills | 0.81% | 0.78% | 0.01% | 0.03% |
| 90 day bank bills | 0.83% | 0.80% | 0.07% | 0.03% |
| FRA 90d in 3mths | 1.30% | 1.27% | 0.14% | 0.11% |
| FRA 180d in 6mths | 2.05% | 2.02% | 0.55% | 0.53% |
| 1 year swap | 1.54% | 1.52% | 0.29% | 0.29% |
| 2 year swap | 2.11% | 2.09% | 0.91% | 0.89% |
| 3 year swap | 2.38% | 2.36% | 1.29% | 1.28% |
| 5 year swap | 2.55% | 2.53% | 1.60% | 1.57% |
| 10 year swap | 2.65% | 2.63% | 2.02% | 2.00% |
| 10 year Govt bond | | 2.47% | | 1.69% |

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