

Market Alert

Friday 10 December 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6792	-0.0027
NZD/AUD	0.9494	-0.0044
NZD/JPY	77.08	-0.48
NZD/EUR	0.6014	-0.0050
NZD/GBP	0.5139	-0.0020
NZD/CNH	4.3310	0.0373
AUD/USD	0.7154	0.0005
AUD/EUR	0.6334	-0.0024
EUR/USD	1.1294	0.0051
USD/CNH	6.3773	0.0803
GBP/USD	1.3218	-0.0001
EUR/GBP	0.8545	0.0039

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	0.89%	0.06%
2 year swap	2.26%	0.93%
10 year Govt	2.49%	1.68%

Today, it's all about China

First up, the China Communist Party 'discipline inspectors' visited the PBoC's headquarters yesterday with an unusually stern message from their masters, namely *"Beijing has little tolerance for any talk of central bank independence; the monetary authority, just like any other part of the government, answers to the party!"*

The move comes as the central bank and other financial institutions come under increasing scrutiny as part of Mr Xi's efforts to curb capitalist forces within the local economy. Interestingly, after the visit, the PBoC signalled a limit to its

tolerance for the recent Yuan's strength by setting its reference rate lower while it also moved to increase banks FX reserve ratios by 2% to 9%.

There was also some data, with Chinese inflation higher at the consumer level, and extremely high at the wholesale level. Annualised CPI increased to 2.3% in November from 1.5%, while PPI surged 12.9%, although it was slightly lower than October's 13.5%. And if that wasn't enough ... Evergrande Group has officially been labelled a 'defaulter' after Fitch ratings agency downgraded it to a 'restricted default' after it officially missed 2 bond payments at the end of its grace period on Monday. Fitch also downgraded property company, Kaisa Group, after it failed to repay a USD400 million bond that matured on Tuesday.

In other Chinese news, the US House passed a bill to restrict imports from the Xinjiang province due to concerns over Uyghur labour practices. And while we're on the US, initial jobless claims fell to a 52 year low at 184,000, its lowest level since September 1969 and below market expectations of 215,000.

Other data showed that US household debt grew at a 6.2% annualised pace in Q2, the Langer consumer confidence index flatlined at 51.0, while wholesale inventories increased by 2.3% on the month and wholesale trade jumped by 2.2% in October.

Gita Gopinath, Economic Counsellor and Director of the Research Department at the IMF, sees further inflationary pressures amid the omicron breakout as *"We are seeing inflationary pressures building up. (Should) this pandemic last longer, you have longer supply disruptions that are increasing inflationary pressures, and then we have the real risk of something we have avoided so far, which is stagflationary."*

Yesterday, Fonterra farmer shareholders voted to revamp the co-operative's capital structure, reducing the number of shares farmers are required to hold from one share per one kgMS, to one share per three kgMS. 85.2% of farmers voted in support of the changes, which was well above the minimum threshold of 75%. The co-op now requires the government to amend the 2001 DIR Act. Meanwhile, the NZ Truckometer index shows heavy traffic movements increased 4.6% in November while the volume of light traffic increased by 10.6% as restrictions in Auckland lifted further.

Up, down, and sideways

Amid the uncertainty of the omicron outbreak, equity and commodity markets gave up some of their recent gains. Treasury yields also eased back, with the T-bond down to 1.485%, while the US dollar found a molecule of support which saw both the NZD and AUD ease, while the NZD/AUD broke below 0.9500.



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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	73.03					CAD	0.8623	0.9083
NZD/USD	0.6792	-0.0002	-0.0010	-0.0027	-0.0075	CHF	0.6278	0.6613
NZD/AUD	0.9494	-0.0007	-0.0018	-0.0044	-0.0106	CNY	4.3310	4.5621
NZD/JPY	77.08	-0.07	-0.19	-0.48	-1.36	DKK	4.4715	4.7100
NZD/EUR	0.6014	-0.0009	-0.0022	-0.0050	-0.0127	FJD	1.4414	1.5183
NZD/GBP	0.5139	-0.0004	-0.0009	-0.0020	-0.0050	HKD	5.2949	5.5773
						KRW	797.35	839.89
AU TWI	60.40					MYR	2.8719	3.0251
AUD/USD	0.7154	0.0003	0.0004	0.0005	0.0001	NOK	6.1045	6.4302
AUD/NZD	1.0534	0.0008	0.0020	0.0049	0.0119	SEK	6.1570	6.4854
AUD/JPY	81.19	-0.01	-0.05	-0.13	-0.52	SGD	0.9269	0.9763
AUD/EUR	0.6334	-0.0004	-0.0011	-0.0024	-0.0064	TWD	18.80	19.81
AUD/GBP	0.5413	0.0000	0.0001	0.0004	0.0008	ZAR	10.8480	11.4268
USD Index	96.24					EQUITIES		
EUR/USD	1.1294	0.0012	0.0026	0.0051	0.0116		Index	
USD/JPY	113.50	-0.07	-0.12	-0.26	-0.75	NZX50	12,772	
GBP/USD	1.3218	0.0006	0.0005	-0.0001	-0.0019	ASX200	7,384	
EUR/GBP	0.8545	0.0005	0.0017	0.0039	0.0100	Dow Jones	35,848	
						S&P 500	4,692	
INTEREST RATES		New Zealand		Australia		FTSE100	7,321	
		Borrow	Invest	Borrow	Invest	DAX 30	15,639	
30 day bank bills		0.81%	0.78%	0.01%	0.03%	Nikkei	28,725	
90 day bank bills		0.90%	0.86%	0.08%	0.04%	COMMODITIES		
FRA 90d in 3mths		1.45%	1.42%	0.18%	0.15%		USD	
FRA 180d in 6mths		2.21%	2.18%	0.53%	0.52%	Dubai Light	73.61	
1 year swap		1.69%	1.67%	0.35%	0.35%	Brent Crude	74.77	
2 year swap		2.27%	2.25%	0.94%	0.92%	Gold	1,778.09	
3 year swap		2.49%	2.47%	1.28%	1.27%	Silver	22.06	
5 year swap		2.58%	2.55%	1.57%	1.54%	CRB Index	241.43	
10 year swap		2.62%	2.59%	1.95%	1.94%		NZD	
10 year Govt bond			2.47%		1.68%	NZ Carbon	68.15	

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