

Market Alert

Monday 13 December 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6801	-0.0027
NZD/AUD	0.9500	-0.0043
NZD/JPY	77.07	-0.48
NZD/EUR	0.6014	-0.0051
NZD/GBP	0.5127	-0.0020
NZD/CNH	4.3354	0.0369
AUD/USD	0.7159	0.0004
AUD/EUR	0.6331	-0.0025
EUR/USD	1.1307	0.0052
USD/CNH	6.3763	0.0796
GBP/USD	1.3263	-0.0001
EUR/GBP	0.8525	0.0039

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	0.89%	0.06%
2 year swap	2.23%	0.91%
10 year Govt	2.47%	1.64%

US inflation hits a 39 year high

The annual rate of US inflation accelerated to 6.8% in November to record its highest headline print since June 1982!

With inflation now 'viewed' as persistent, and with consumer prices rising at their fastest pace in nearly 40 years, pressure will increase on the Fed to confirm an acceleration of their tapering programme and to fast track their hiking cycle.

The 0.8% monthly increase marked the 9th consecutive month inflation has been above the Fed's 2.0% target as the commodity rally, rising demand, wage

pressures, supply chain disruptions, and the low base effect continue to push prices up. The core, excluding food and energy, were in line with expectations at 0.5% and 4.9% respectfully.

In fact, with the headline and core prints in line with expectations, there was a sense of relief and a feeling that inflation wasn't as bad as it could have been. This, combined with an easing of pandemic concerns as infection rates confirmed a downward trend in Germany and Austria, saw equity markets rally strongly in the US following on from a subdued performance in Europe and Asia.

Commodity markets also put in a good session on Friday, with most raw materials higher ahead of the weekend's G7 meeting and as the build up of Russian troops on the Ukrainian border saw gas prices rally 2.0% and oil firm almost 1.5%. In amongst the noise, the futures markets is now fully pricing in a rise in the Fed funds rate to 0.75% by the end of 2022, although the bond market was a lot quieter with the 10 year treasury yield stable at 1.49%.

Currency markets closed the week quietly with the US dollar consolidating its recent gains and the AUD cementing its bounce back from its 0.6993 low. The NZD/AUD closed Friday at the 0.9477 level although buyers this morning have pushed the rate back to 0.9500.

Friday also saw a couple of other data releases. In the US, the University of Michigan's consumer sentiment index increased to 70.4 in December from November's 10 year low of 67.4, while the November budget deficit improved to USD191 billion from the USD195 billion expected.

Across the pond, German annual inflation remained near its three decade high at 5.2% in November, even though the monthly print contracted -0.2%, while the EU harmonised rate printed in line with expectations at 0.3% on the month and 6.0% on the year. Finally, UK 3 month GDP rose less than expected to 0.9% in October denting market expectations of a BoE rate hike this week.

Central bank week

This week, it's all about the central bank governors with the US Fed, ECB, BoE and BoJ all meeting to discuss monetary policy. In amongst this, investors will be eager to ascertain what 'spin' policymakers will place on their forward guidance amid concerns over the Omicron variant and mounting inflationary pressures.

This week we also have the December PMIs for the US, UK, Eurozone, Japan, and Australia which should give us an insight into the state of the global economy.

Congratulations to Max Verstappen, although I'm sure there still will be a few twists and turns before the day is out!



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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	73.08					CAD	0.8652	0.9108
NZD/USD	0.6801	-0.0002	-0.0009	-0.0027	-0.0076	CHF	0.6277	0.6608
NZD/AUD	0.9500	-0.0006	-0.0017	-0.0043	-0.0105	CNY	4.3310	4.5591
NZD/JPY	77.07	-0.07	-0.19	-0.48	-1.36	DKK	4.4701	4.7056
NZD/EUR	0.6014	-0.0009	-0.0022	-0.0051	-0.0128	FJD	1.4466	1.5228
NZD/GBP	0.5127	-0.0004	-0.0009	-0.0020	-0.0050	HKD	5.2996	5.5788
						KRW	802.91	845.21
AU TWI	60.30					MYR	2.8574	3.0079
AUD/USD	0.7159	0.0002	0.0003	0.0004	-0.0001	NOK	6.0937	6.4147
AUD/NZD	1.0527	0.0007	0.0019	0.0048	0.0117	SEK	6.1600	6.4845
AUD/JPY	81.16	-0.02	-0.06	-0.14	-0.54	SGD	0.9266	0.9754
AUD/EUR	0.6331	-0.0005	-0.0012	-0.0025	-0.0065	TWD	18.84	19.84
AUD/GBP	0.5398	-0.0001	0.0000	0.0003	0.0007	ZAR	10.8582	11.4302
USD Index	96.10					EQUITIES		
EUR/USD	1.1307	0.0013	0.0027	0.0052	0.0116		Index	
USD/JPY	113.37	-0.07	-0.13	-0.26	-0.75	NZX50	12,850	
GBP/USD	1.3263	0.0007	0.0005	-0.0001	-0.0019	ASX200	7,354	
EUR/GBP	0.8525	0.0005	0.0017	0.0039	0.0100	Dow Jones	35,971	
						S&P 500	4,712	
						FTSE100	7,292	
						DAX 30	15,623	
						Nikkei	28,438	
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		0.91%	0.89%	0.08%	0.04%			
FRA 90d in 3mths		1.46%	1.43%	0.18%	0.15%			
FRA 180d in 6mths		2.22%	2.19%	0.53%	0.51%			
1 year swap		1.70%	1.68%	0.36%	0.36%			
2 year swap		2.24%	2.21%	0.92%	0.90%			
3 year swap		2.46%	2.43%	1.27%	1.25%			
5 year swap		2.54%	2.52%	1.59%	1.55%			
10 year swap		2.58%	2.56%	1.93%	1.92%			
10 year Govt bond			2.45%		1.64%			
						COMMODITIES		
							USD	
						Dubai Light	72.77	
						Brent Crude	75.15	
						Gold	1,782.50	
						Silver	22.18	
						CRB Index	240.14	
							NZD	
						NZ Carbon	68.10	

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