

Market Alert

Wednesday 15 December 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6746	-0.0029
NZD/AUD	0.9494	-0.0046
NZD/JPY	76.71	-0.51
NZD/EUR	0.5989	-0.0053
NZD/GBP	0.5100	-0.0022
NZD/CNH	4.2998	0.0338
AUD/USD	0.7105	0.0004
AUD/EUR	0.6307	-0.0025
EUR/USD	1.1265	0.0052
USD/CNH	6.3740	0.0780
GBP/USD	1.3227	0.0000
EUR/GBP	0.8517	0.0040

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	0.87%	0.06%
2 year swap	2.21%	0.86%
10 year Govt	2.38%	1.54%

Inflation, inflation, inflation

US producer prices rose an astonishing 0.8% in November, well above expectations of a 0.5% increase amid supply and labour constraints. On an annual basis, the index rose 9.6%, the highest level since the data was first calculated in 2010, solidifying concerns that the Federal Reserve may be losing control of the inflation narrative ahead of this week's FOMC meeting. Upward pressure came from both the goods and services sectors, with the core rising 0.7% and 7.7% respectively.

We also saw the release of the NFIB Small Business Optimism Index which firmed to

98.4 points in November from Octobers 7 month low of 98.2.

In the Euro-area, industrial production rose 1.1%, rebounding from two consecutive months of contraction, although on a yearly basis IP growth slowed to 3.3% in October from Septembers 5.1%.

NZ Food Price inflation eased 0.6% in November, mainly due to a 49% drop in the price of tomatoes, although on a seasonal adjusted basis, prices were up 0.3% on an annualised basis. Prices increased 4.0% to hit a new 15 month high. The RBNZ has also lost 2 more senior staff in its latest restructure.

The Asian Development Bank has trimmed its China 2021 GDP forecast to 8.0% from 8.1%, while a survey of bank analysts expects the Chinese authorities to set a 5.0% GDP growth target for 2022 amidst news that President Xi Jinping's top advisers have signalled for an increase in fiscal spending along with tax cuts and looser lending policies.

Amongst these inflationary pressures, in a classic case of easier said than done, G-7 finance ministers have pledged greater co-operation to fix global supply chain issues that have caused shortages and led to the recent inflation surge.

The BoJ has undertaken a huge cash injection flooding the market with a combined USD97 billion through temporary government bond purchases to counter a rise in short term interest

rates, while Japanese industrial production jumped 1.8% in October, although it was still down 4.1% on the year.

Australian business confidence is easing on the re openings after the NAB November business confidence index fell to +12 from +21 and the conditions index firmed to +12 from +11, while the Westpac-ACCI Q4 composite index eased to +50.8 from Q3's +51.2 and +63.1 in Q2. On a positive note, Australia has signed a string of deals with its 'partner of strategic significance' South Korea, although the deals are 'not aimed at China!'

Financial markets remain jittery ahead of this week's FOMC meeting with equity and commodity markets a sea of red. The US T-bond flatlined at 1.44%, the USD was bid into the London fix which saw the AUD and EUR ease back, while the NZD retested its 0.6735 low.

In the COVID-19 corner

The US Supreme Court has sided with New York state has opposed anti-vaxxers and declined to block the vaccine on religious grounds.

An outbreak in the China province of Zhejiang has seen at least 20 listed companies close with tens of thousands of citizens in quarantine. While a South African study has ascertained that 2 shots of the Pfizer vaccine lowered the risk of an Omicron hospitalisation by 70%.



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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	72.69					CAD	0.8674	0.9136
NZD/USD	0.6746	-0.0003	-0.0011	-0.0029	-0.0079	CHF	0.6231	0.6563
NZD/AUD	0.9494	-0.0008	-0.0019	-0.0046	-0.0110	CNY	4.2951	4.5240
NZD/JPY	76.71	-0.08	-0.21	-0.51	-1.41	DKK	4.4530	4.6903
NZD/EUR	0.5989	-0.0010	-0.0024	-0.0053	-0.0131	FJD	1.4407	1.5175
NZD/GBP	0.5100	-0.0005	-0.0010	-0.0022	-0.0052	HKD	5.2624	5.5429
						KRW	797.79	840.31
AU TWI	60.00					MYR	2.8612	3.0137
AUD/USD	0.7105	0.0003	0.0003	0.0004	-0.0001	NOK	6.1451	6.4726
AUD/NZD	1.0533	0.0008	0.0021	0.0051	0.0123	SEK	6.1704	6.4993
AUD/JPY	80.80	-0.02	-0.06	-0.15	-0.55	SGD	0.9241	0.9733
AUD/EUR	0.6307	-0.0005	-0.0012	-0.0025	-0.0066	TWD	18.79	19.80
AUD/GBP	0.5372	-0.0001	0.0000	0.0003	0.0007	ZAR	10.8741	11.4537
USD Index	96.52					EQUITIES		
EUR/USD	1.1265	0.0014	0.0027	0.0052	0.0117		Index	
USD/JPY	113.73	-0.07	-0.13	-0.27	-0.76	NZX50	12,930	
GBP/USD	1.3227	0.0007	0.0006	0.0000	-0.0020	ASX200	7,378	
EUR/GBP	0.8517	0.0006	0.0017	0.0040	0.0102	Dow Jones	35,472	
						S&P 500	4,611	
						FTSE100	7,219	
						DAX 30	15,454	
						Nikkei	28,433	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.82%	0.79%	-0.01%	0.01%	Dubai Light	72.98	
90 day bank bills		0.89%	0.85%	0.08%	0.04%	Brent Crude	73.66	
FRA 90d in 3mths		1.48%	1.45%	0.19%	0.16%	Gold	1,771.24	
FRA 180d in 6mths		2.20%	2.17%	0.61%	0.59%	Silver	21.87	
1 year swap		1.69%	1.67%	0.35%	0.35%	CRB Index	239.55	
2 year swap		2.22%	2.20%	0.88%	0.84%		NZD	
3 year swap		2.44%	2.42%	1.27%	1.24%	NZ Carbon	68.05	
5 year swap		2.52%	2.50%	1.54%	1.49%			
10 year swap		2.56%	2.54%	1.90%	1.89%			
10 year Govt bond			2.37%		1.54%			

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