

Market Alert

Monday 20 December 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6743	-0.0029
NZD/AUD	0.9441	-0.0046
NZD/JPY	76.63	-0.52
NZD/EUR	0.5997	-0.0054
NZD/GBP	0.5092	-0.0019
NZD/CNH	4.3059	0.0365
AUD/USD	0.7142	0.0004
AUD/EUR	0.6354	-0.0027
EUR/USD	1.1241	0.0053
USD/CNH	6.3863	0.0820
GBP/USD	1.3248	-0.0009
EUR/GBP	0.8485	0.0046

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	0.93%	0.07%
2 year swap	2.26%	0.99%
10 year Govt	2.31%	1.59%

Easing into Christmas

Friday saw most stock markets ease back from their weekly highs after a hectic week as investors assessed a shift in sentiment from the major central banks while implications of the Omicron outbreak saw some northern European counties impose further COVID-19 restrictions.

While individually both issues contain threats to the global recovery, last week the leading central banks made the call that COVID-19 is no longer calling the shots and inflation is now the bigger threat as they set about reigning in prices rather than accommodatively protecting output and employment.

This outlook was perhaps best explained by 'dove-turned-hawk' San Francisco Fed President, Mary Daly, who stated "We expect above-trend growth next year and moderating inflation. If the economy speeds as expected next year, 2-3 hikes would be appropriate. Even with 2-3 hikes, policy is very accommodative. We are not behind the curve on inflation (as the Fed will have optionality to raise rates faster or slower than current forecasts."

Meanwhile, Federal Reserve Governor, Christopher Waller, added "The whole point of the faster taper was to make March a live meeting. I do not think it would be remotely possible for economy to be thrown into recession by three rate hikes in 2022."

In another negative move, Senator Joe Manchin said he won't support President Biden's USD2 trillion 'Build back better' plan effectively killing the legislation.

In the Eurozone, following on from the final release of the Harmonised Index of Consumer Prices, which saw annual inflation increase to +4.9% in November from +4.1% in October, the ECB's governing council member, Pierre Wunsch, announced, "the ECB is not sufficiently recognising the inflation issue. The ECB is not inline with its global counterparts." The Ifo Business Climate indicator for Germany fell for the sixth month to 94.7 in December of 2021, the lowest since February.

BoE Chief Economist, Huw Pill, when asked if there were more rate hikes to come, answered that he 'thinks that is true'

adding "We signalled in November that we were steering toward a rate increase because of a tight labour market. I am concerned about headline inflation figures, but we must consider the long-term future." Retail sales in the UK rose 1.4% mom in November above forecasts of 0.8% and were 7.2% higher than their pre-coronavirus February 2020 levels.

The BoJ left their main monetary policy tools unchanged maintaining their short-term interest rate target at -0.10% and their 10-year JGB yield target around 0%.

Australian Treasurer, Peter Frydenberg, announced that China's property market poses a risk to the global outlook.

In New Zealand, business confidence fell with the own activity outlook easing to 11.8 from 15 while the business confidence index eased to -23.2 from -16.4.

All up ...

... with equity markets weak, bond yields and 'risk' currencies eased lower. This saw the US 10 year treasury yield ease to 1.40% while the NZD moved towards 0.6750 although the AUD held up better.

This week, we will see liquidity start to reduce as we count down to Christmas. We have the PBoC central bank meeting, Q3 GDP updates from the US and the UK, durable goods orders and personal income from the US, consumer morale from the EU and UK, and finally, inflation from Japan.



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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	72.62					CAD	0.8689	0.9203
NZD/USD	0.6743	-0.0003	-0.0011	-0.0029	-0.0079	CHF	0.6227	0.6596
NZD/AUD	0.9441	-0.0007	-0.0019	-0.0046	-0.0108	CNY	4.2988	4.5535
NZD/JPY	76.63	-0.08	-0.21	-0.52	-1.44	DKK	4.4608	4.7252
NZD/EUR	0.5997	-0.0009	-0.0023	-0.0054	-0.0135	FJD	1.4384	1.5237
NZD/GBP	0.5092	-0.0004	-0.0008	-0.0019	-0.0048	HKD	5.2610	5.5728
						KRW	795.52	842.67
AU TWI	60.40					MYR	2.8599	3.0293
AUD/USD	0.7142	0.0002	0.0003	0.0004	-0.0002	NOK	6.0883	6.4491
AUD/NZD	1.0593	0.0008	0.0021	0.0052	0.0122	SEK	6.1638	6.5291
AUD/JPY	81.18	-0.03	-0.07	-0.16	-0.60	SGD	0.9219	0.9765
AUD/EUR	0.6354	-0.0005	-0.0012	-0.0027	-0.0071	TWD	18.76	19.87
AUD/GBP	0.5391	0.0000	0.0002	0.0006	0.0011	ZAR	10.7085	11.3431
USD Index	96.57					EQUITIES		
EUR/USD	1.1241	0.0012	0.0026	0.0053	0.0124		Index	
USD/JPY	113.66	-0.07	-0.14	-0.29	-0.81	NZX50	12,718	
GBP/USD	1.3248	0.0005	0.0001	-0.0009	-0.0032	ASX200	7,304	
EUR/GBP	0.8485	0.0006	0.0019	0.0046	0.0114	Dow Jones	35,365	
						S&P 500	4,621	
						FTSE100	7,270	
						DAX 30	15,532	
						Nikkei	28,546	
						COMMODITIES		
							USD	
						Dubai Light	72.24	
						Brent Crude	73.52	
						Gold	1,797.68	
						Silver	22.35	
						CRB Index	239.32	
							NZD	
						NZ Carbon	68.17	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.82%	0.80%	0.01%	0.01%
90 day bank bills	0.96%	0.93%	0.09%	0.05%
FRA 90d in 3mths	1.55%	1.52%	0.26%	0.23%
FRA 180d in 6mths	2.24%	2.21%	0.78%	0.77%
1 year swap	1.74%	1.72%	0.46%	0.44%
2 year swap	2.27%	2.24%	1.00%	0.98%
3 year swap	2.50%	2.47%	1.35%	1.34%
5 year swap	2.57%	2.55%	1.66%	1.64%
10 year swap	2.58%	2.55%	1.91%	1.90%
10 year Govt bond		2.29%		1.59%

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