

Market Alert

Wednesday 22 December 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6763	-0.0030
NZD/AUD	0.9458	-0.0046
NZD/JPY	77.20	-0.52
NZD/EUR	0.5999	-0.0053
NZD/GBP	0.5102	-0.0017
NZD/CNH	4.3123	0.0371
AUD/USD	0.7151	0.0004
AUD/EUR	0.6343	-0.0025
EUR/USD	1.1273	0.0051
USD/CNH	6.3766	0.0831
GBP/USD	1.3258	-0.0014
EUR/GBP	0.8503	0.0047

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	0.94%	0.07%
2 year swap	2.22%	0.95%
10 year Govt	2.28%	1.60%

It's the final countdown

The US current account gap widened to USD214.8 billion, or 3.7% of the GDP, in Q3 2021. This was the largest current account deficit since Q3 2006 and well ahead of the USD205 billion shortfall forecast.

Furthermore, the Philadelphia Fed's non-manufacturing regional business activity index fell to 28.3 from the 46.1 previously.

Finally, the soap opera that is President Biden's BBB legislation and his stand-off with Senator Joe Manchin looks set to continue after they agreed to continue negotiations in the New Year.

Following on from the COVID-19 Omicron outbreak, European confidence continues to worsen after consumer confidence in the Eurozone fell by 1.5 points to -8.3 in December, which was worse than market expectation of -8.0, while the GfK consumer climate indicator in Germany declined to -6.8 heading into January of 2022 from a downwardly revised -1.8 in December.

Meanwhile, ECB Vice President, Luis de Guindos, announced, "Our inflation is more persistent and, let's say, not as temporary as we expected" and that the "ECB forecasts, such as those for inflation, were subject to great uncertainties, such as the evolution of the COVID-19 pandemic."

The RBA minutes simply told us what we already knew – the board is committed to maintaining highly supportive monetary conditions and is prepared to be patient. The emergence of the COVID-19 Omicron variant is a new source of uncertainty, but it was not expected to derail the recovery. Risk to the recovery posed by the Omicron variant will be more apparent by the February meeting.

Inflation had increased but remains low in underlying terms. Only a gradual pick-up in underlying inflation was expected. There are 3 possible options for the bond purchase program options reflecting the expectation that the economy will continue to bounce back, but if there were another serious economic setback, a different set of options would need to be considered.

Following on from 8 consecutive increases, the overnight GDT dairy auction saw prices slide 1.5%. Most of the damage was caused by the 3.3% fall in the WMP price, although butter managed to rally 1.0%.

Nomura says the PBoC will sell Yuan to help support China's slowing economy. Simply put, by selling Yuan, they will boost liquidity in the banking system which can be used to lower borrowing costs. Meanwhile, analysts expect to see a continuation of the authorities' regulatory clampdowns in 2022 with a particular focus on data protection and deals that present national security risks.

Japan is considering hiking its GDP forecast for 2022 to 3% from 2.2%, while Prime Minister, Fumio Kishida, has reiterated again that he is not considering changing the sales tax rate "for the time being"

With just 3 sleeps to go

Following on from its recent downturn, US and European stock markets posted solid gains of 1.0%-2.0% as investor appetite for risk assets improved. Commodities also had another positive session, which saw oil prices rebound with crude up 4.1% and Brent 3.7% higher. Gas prices also rose another 2.5%.

This positivity filtered through the currency markets, which saw the NZD and AUD rally, while the US 10-year yield jumped to 1.475%.



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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	72.80					CAD	0.8742	0.9243
NZD/USD	0.6763	-0.0004	-0.0012	-0.0030	-0.0078	CHF	0.6251	0.6610
NZD/AUD	0.9458	-0.0007	-0.0019	-0.0046	-0.0108	CNY	4.3091	4.5563
NZD/JPY	77.20	-0.08	-0.21	-0.52	-1.42	DKK	4.4609	4.7167
NZD/EUR	0.5999	-0.0008	-0.0023	-0.0053	-0.0132	FJD	1.4438	1.5266
NZD/GBP	0.5102	-0.0003	-0.0007	-0.0017	-0.0044	HKD	5.2762	5.5789
						KRW	806.52	852.78
AU TWI	60.10					MYR	2.8378	3.0005
AUD/USD	0.7151	0.0001	0.0002	0.0004	-0.0001	NOK	6.0496	6.3966
AUD/NZD	1.0574	0.0007	0.0021	0.0052	0.0122	SEK	6.1762	6.5305
AUD/JPY	81.62	-0.02	-0.06	-0.15	-0.58	SGD	0.9232	0.9761
AUD/EUR	0.6343	-0.0004	-0.0011	-0.0025	-0.0068	TWD	18.79	19.86
AUD/GBP	0.5394	0.0000	0.0003	0.0008	0.0015	ZAR	10.7330	11.3487
USD Index	96.55					EQUITIES		
EUR/USD	1.1273	0.0009	0.0023	0.0051	0.0122		Index	
USD/JPY	114.15	-0.05	-0.11	-0.27	-0.79	NZX50	12,857	
GBP/USD	1.3258	0.0001	-0.0003	-0.0014	-0.0039	ASX200	7,355	
EUR/GBP	0.8503	0.0006	0.0020	0.0047	0.0117	Dow Jones	35,471	
						S&P 500	4,643	
						FTSE100	7,297	
						DAX 30	15,447	
						Nikkei	28,518	
						COMMODITIES		
							USD	
						Dubai Light	70.07	
						Brent Crude	74.05	
						Gold	1,788.10	
						Silver	22.52	
						CRB Index	235.81	
							NZD	
						NZ Carbon	68.50	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.83%	0.80%	0.01%	0.02%
90 day bank bills	0.98%	0.94%	0.09%	0.05%
FRA 90d in 3mths	1.54%	1.50%	0.23%	0.20%
FRA 180d in 6mths	2.19%	2.16%	0.69%	0.68%
1 year swap	1.73%	1.71%	0.41%	0.40%
2 year swap	2.23%	2.21%	0.96%	0.94%
3 year swap	2.47%	2.45%	1.34%	1.33%
5 year swap	2.56%	2.54%	1.65%	1.55%
10 year swap	2.56%	2.54%	2.01%	1.99%
10 year Govt bond		2.27%		1.60%

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