

Market Alert

Monday 6 December 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6762	-0.0026
NZD/AUD	0.9646	-0.0045
NZD/JPY	76.25	-0.46
NZD/EUR	0.5966	-0.0050
NZD/GBP	0.5105	-0.0020
NZD/CNH	4.3101	0.0432
AUD/USD	0.7009	0.0006
AUD/EUR	0.6191	-0.0023
EUR/USD	1.1321	0.0051
USD/CNH	6.3748	0.0888
GBP/USD	1.3247	0.0000
EUR/GBP	0.8546	0.0039

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	0.87%	0.06%
2 year swap	2.25%	0.92%
10 year Govt	2.39%	1.61%

Non-farm fizzer

The US November nonfarm payroll release was a bit of a fizzer recording its smallest gain this year with just 210,000 jobs added against the 550,000 forecast. Beyond the headline, there was some positive news with the last 2 headline numbers revised higher, with the October number revised up by 15,000 to 546,000, while the unemployment rate fell to 4.2% when 4.5% was forecast.

Furthermore, the labour force participation rate edged higher to 61.8% from 61.6%. Ultimately though, while there were some positive signs, as far as the

markets are concerned, the status quo remains in place with policy makers likely to fast-track their tapering as inflation proves more persistent than previously thought. This saw volatility remain elevated across most asset classes reflecting the Fed's shift towards monetary tightening while the uncertainty about the Omicron outbreak continues to cause concern.

There were also a couple of other releases, although they got lost among the headlines. US factory orders increased +1.0% in October versus the +0.5% expected, while the ISM November services PMI index jumped to 69.1 in November 2021 from 66.7 in the previous month, easily beating market expectations of 65 and indicating the fastest pace of expansion in the services sector since the series began in 1997. The Markit PMI composite index for November also firmed to 57.2 against the 56.5 expected.

In other news, the US House of Representatives has approved the bill to avoid government shut down while the US and EU have issued a joint statement expressing "strong concern over China's 'problematic and unilateral actions' in the South and East China Seas and the Taiwan Strait."

Goldman Sachs is expecting the FOMC to double the taper amount when they meet in December and that the Fed will start its tightening cycle in June 2022.

The Australia November Markit Services PMI strengthened to 55.7 from 55.0 while the composite number also increased to 55.7 from October's 55.0. The AiG Construction PMI for November eased to 57.0 from 57.6

There was some action from the Eurozone as well after the November final services PMI eased to 55.9 against the 56.6 forecast, which supported Christine Lagarde's comments, "It is very unlikely to see rate hikes in 2022. We project inflation to decline in 2022" while ECB policymaker, Klaas Knot added, "We continue to believe inflation is largely a temporary phenomenon."

With heightened volatility under-pinned by the potential acceleration of the US tapering and hiking cycles, US and European equities closed the week under pressure with bourses off between -0.25% and -2.0%. This also followed through to the currency markets where the NZD and AUD were hit particularly hard, and if you're an exporter that has been quiet, now is the time to get busy! Finally, the US 10 year treasury closed the week at 1.345%.

The week ahead

This week the headlines will focus on the US and Chinese inflation numbers while we have central bank meetings in Canada and Australia. Other important data includes US consumer confidence, and UK October GDP data



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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	72.97					CAD	0.8675	0.8993
NZD/USD	0.6762	-0.0002	-0.0009	-0.0026	-0.0077	CHF	0.6198	0.6425
NZD/AUD	0.9646	-0.0008	-0.0019	-0.0045	-0.0112	CNY	4.3025	4.4604
NZD/JPY	76.25	-0.07	-0.18	-0.46	-1.34	DKK	4.4427	4.6057
NZD/EUR	0.5966	-0.0009	-0.0022	-0.0050	-0.0127	FJD	1.4362	1.4889
NZD/GBP	0.5105	-0.0005	-0.0009	-0.0020	-0.0049	HKD	5.2585	5.4515
						KRW	796.20	825.41
AU TWI	59.70					MYR	2.8674	2.9726
AUD/USD	0.7009	0.0003	0.0005	0.0006	0.0001	NOK	6.2044	6.4320
AUD/NZD	1.0367	0.0008	0.0021	0.0049	0.0122	SEK	6.1725	6.3990
AUD/JPY	79.04	-0.01	-0.03	-0.11	-0.47	SGD	0.9259	0.9598
AUD/EUR	0.6191	-0.0004	-0.0011	-0.0023	-0.0060	TWD	18.78	19.47
AUD/GBP	0.5291	0.0000	0.0001	0.0005	0.0010	ZAR	10.8810	11.2803
USD Index	96.12					EQUITIES		
EUR/USD	1.1321	0.0013	0.0027	0.0051	0.0114		Index	
USD/JPY	112.77	-0.06	-0.12	-0.25	-0.70	NZX50	12,677	
GBP/USD	1.3247	0.0008	0.0006	0.0000	-0.0024	ASX200	7,241	
EUR/GBP	0.8546	0.0005	0.0017	0.0039	0.0101	Dow Jones	34,580	
						S&P 500	4,538	
						FTSE100	7,122	
						DAX 30	15,170	
						Nikkei	28,030	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		0.81%	0.78%	0.00%	0.02%	Dubai Light	70.32	
90 day bank bills		0.90%	0.87%	0.08%	0.04%	Brent Crude	69.88	
FRA 90d in 3mths		1.45%	1.42%	0.15%	0.12%	Gold	1,782.69	
FRA 180d in 6mths		2.20%	2.17%	0.54%	0.53%	Silver	22.48	
1 year swap		1.68%	1.66%	0.32%	0.31%	CRB Index	234.54	
2 year swap		2.26%	2.24%	0.94%	0.90%		NZD	
3 year swap		2.49%	2.46%	1.30%	1.26%	NZ Carbon	68.30	
5 year swap		2.57%	2.55%	1.59%	1.57%			
10 year swap		2.58%	2.55%	1.91%	1.91%			
10 year Govt bond			2.37%		1.61%			

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