

Market Alert

Tuesday 7 December 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6747	-0.0025
NZD/AUD	0.9573	-0.0044
NZD/JPY	76.58	-0.46
NZD/EUR	0.5980	-0.0050
NZD/GBP	0.5087	-0.0019
NZD/CNH	4.3013	0.0434
AUD/USD	0.7048	0.0006
AUD/EUR	0.6247	-0.0023
EUR/USD	1.1282	0.0052
USD/CNH	6.3756	0.0884
GBP/USD	1.3263	-0.0001
EUR/GBP	0.8506	0.0040

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	0.87%	0.06%
2 year swap	2.23%	0.91%
10 year Govt	2.35%	1.58%

All the news from Europe ...

Because there's not much else going on in the world!

Germany October factory orders plummeted 6.9% in October against a -0.5% forecast as companies struggle against input costs and inflationary pressures, while, in the Eurozone, December Sentix investor confidence increased to 13.5 against the 12.5 expected. Fitch also raised Italy's country's rating to BBB from BBB- while ECB member, Robert Holzmann, confirmed "Inflation in the Eurozone will be very unlikely to fall below 2% in 2022."

BoE Deputy Governor, Ben Broadbent, suggested inflation might "comfortably

exceed" 5% in April although, "I don't know how COVID-19 Omicron will affect my decision on interest rates. I don't think there is a risk of a 1970's style inflationary spiral. Transitory should be understood as referring to next 18-24 months," while JP Morgan has pushed out its projections for the start of the BoE tightening cycle from December to February.

The PBoC has announced it will cut the reserve requirement ratio, the RRR, by 0.5% to 8.4% from 15 December, releasing Yuan 1.2 trillion, or USD 188 billion, of liquidity. Cash released by this cut will be partially offset by repaying liquidity injections via the Medium Lending Facility although any excess liquidity should push short- and long-term interest rates moderately lower.

Speaking of China, Evergrande's bonds fell to historic lows after Chinese authorities stepped up their involvement in its affairs and the company began reorganising its international debt after the company announced there is "no guarantee it can make USD 8.25 billion debt payment."

Speaking of plummeting companies, SoftBank shares fell as the Japanese investor group's business model came under scrutiny after setbacks at Didi and Arm. The SEC has opened an investigation into Tesla after a whistleblower announced the company failed to properly notify its shareholders and the public of fire risks associated with defects to its solar panel system.

In the New Zealand corner, the Council of Trade Unions and the head of KiwiSaver are defending the Reserve Bank Governor, Adrian Orr, after the ACT Party leader and National Party finance spokesperson called for him to be replaced.

US and European stocks rebounded impressively from Friday's selloff as investors took comfort in reports that cases of the omicron variant may be causing milder illnesses than previously thought. This saw most bourses bounce between 1.0%-3.0% while oil jumped +4.0%. This 'risk-on' environment also saw bond yields recover some of their losses from Friday, with the 10-year treasury yield recovering to the 1.44% level, which helped the AUD regain some of its shine, the NZD and EUR remained under pressure.

The omicron corner

The Biden administration is reportedly looking to fast-track its COVID-19 vaccine authorisation processes in order to combat the spread of the omicron variant across the country.

EU health ministers will discuss on Tuesday whether to adjust the travel curbs the bloc's nations have imposed on Southern Africa in response to the omicron variant.

IMF Managing Director, Kristalina Georgieva, let slip that "GDP projections from the IMF will likely be downgraded due to the emergence of the Omicron."

Good luck out there today!



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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	72.82					CAD	0.8612	0.8997
NZD/USD	0.6747	-0.0002	-0.0009	-0.0025	-0.0075	CHF	0.6246	0.6525
NZD/AUD	0.9573	-0.0008	-0.0019	-0.0044	-0.0111	CNY	4.3018	4.4939
NZD/JPY	76.58	-0.07	-0.18	-0.46	-1.33	DKK	4.4468	4.6453
NZD/EUR	0.5980	-0.0009	-0.0022	-0.0050	-0.0126	FJD	1.4453	1.5099
NZD/GBP	0.5087	-0.0005	-0.0009	-0.0019	-0.0048	HKD	5.2625	5.4975
						KRW	797.85	833.48
AU TWI	59.30					MYR	2.8545	2.9820
AUD/USD	0.7048	0.0004	0.0005	0.0006	0.0004	NOK	6.1353	6.4092
AUD/NZD	1.0447	0.0009	0.0021	0.0049	0.0122	SEK	6.1362	6.4102
AUD/JPY	80.01	-0.01	-0.03	-0.11	-0.47	SGD	0.9240	0.9652
AUD/EUR	0.6247	-0.0004	-0.0011	-0.0023	-0.0060	TWD	18.70	19.54
AUD/GBP	0.5314	-0.0001	0.0001	0.0005	0.0011	ZAR	10.7580	11.2384
USD Index	96.32					EQUITIES		
EUR/USD	1.1282	0.0014	0.0027	0.0052	0.0115		Index	
USD/JPY	113.52	-0.07	-0.13	-0.26	-0.72	NZX50	12,598	
GBP/USD	1.3263	0.0008	0.0007	-0.0001	-0.0022	ASX200	7,245	
EUR/GBP	0.8506	0.0005	0.0016	0.0040	0.0101	Dow Jones	35,314	
						S&P 500	4,608	
						FTSE100	7,232	
						DAX 30	15,381	
						Nikkei	27,927	
						COMMODITIES		
							USD	
						Dubai Light	70.44	
						Brent Crude	72.72	
						Gold	1,779.49	
						Silver	22.29	
						CRB Index	234.54	
							NZD	
						NZ Carbon	68.25	

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	0.90%	0.87%	0.08%	0.04%
FRA 90d in 3mths	1.41%	1.38%	0.15%	0.12%
FRA 180d in 6mths	2.19%	2.16%	0.55%	0.54%
1 year swap	1.67%	1.65%	0.30%	0.30%
2 year swap	2.24%	2.22%	0.92%	0.90%
3 year swap	2.46%	2.44%	1.29%	1.28%
5 year swap	2.53%	2.50%	1.62%	1.53%
10 year swap	2.54%	2.52%	1.94%	1.93%
10 year Govt bond		2.33%		1.58%

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