

Market Alert

Wednesday 8 December 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6776	-0.0025
NZD/AUD	0.9531	-0.0043
NZD/JPY	76.96	-0.46
NZD/EUR	0.6021	-0.0050
NZD/GBP	0.5123	-0.0019
NZD/CNH	4.3131	0.0429
AUD/USD	0.7109	0.0006
AUD/EUR	0.6317	-0.0024
EUR/USD	1.1254	0.0053
USD/CNH	6.3658	0.0869
GBP/USD	1.3228	0.0000
EUR/GBP	0.8508	0.0040

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	0.88%	0.06%
2 year swap	2.26%	1.00%
10 year Govt	2.42%	1.65%

Central bank boredom

As expected, the RBA kept the cash rate unchanged at a record low of 0.1% for the 13th month in a row. Interestingly, the RBA maintained its QE programme at the rate of AUD4 billion a week, although, they will review the program at its February meeting.

In amongst the positives of a rebound in household consumption, a stronger recovery in the labour market, an improved outlook for business investment, and expectations wage growth will pick-up, the omicron variant is a new source of uncertainty. Once again, the central bank emphasised they will not increase the cash

rate until actual inflation is sustainably within its 2-3% target range even though inflation is expected to reach 2.5% over 2023 and housing prices continue to increase, although it was noted the rate of household inflation has eased.

So, no surprises, although the AUD did make some modest gains after the RBA decision, which was accentuated by a strong equity performance overnight with European and north American markets up 0.5%-2.5%. Commodities also performed well, while bond markets consolidated with the US T-bond yielding 1.46%. Interestingly, the EUR weakened, which doesn't augur well for its medium-term prospects, while the NZD/AUD fell to 0.9530.

We also had a classic case of 'out with the old and in with the new' with both RBNZ Deputy Governors ("DG") talking yesterday. First up, out-going DG, Geoff Bascand, stated he is "*confident our financial stability approach has strengthened the foundations, they are more solid*" even though there is "*still work to do to strengthen regulated entities resilience and compliance.*" Next, new DG, Christian Hawkesby, added "*long-term inflation expectations remain anchored, but short-term ones have increased.*" He forecasts that the "*unemployment rate will drift up to about 4%,*" although he has "*confidence that the labour market is tight, and that will build inflation pressures.*" On the NZD, he added the "*currency is in broad range of where it's expected to be. A higher currency in the short-term will help us achieve our objectives more quickly.*"

The overnight GDT auction continued to consolidate prices with its seven consecutive positive result and the overall index was up another 1.4%. Individually, WMP up 0.6% while butter surged 4.6%. Interestingly, the Farmgate futures price closed last night at NZD9.02 and NZD8.71 for the 2022 and 2023 seasons respectively.

The international news

The US trade deficit narrowed sharply to USD67.1 billion in October as exports jumped to record levels supported by shipments of crude oil, civilian aircraft, industrial machines, and soybeans although nonfarm unit labour costs increased 9.6% in Q3.

The German ZEW economic sentiment index edged down to 29.9 from 31.7 as hopes for a stronger rebound faded and the economy continues to struggle with COVID-19 and supply chain disruptions.

China's trade surplus decreased to USD71.72 billion in November amid a stronger Yuan, weakening global demand and higher input costs.

Exports from China grew by 22% on the year to USD325.5 billion while imports surged 31.7% to USD 253.8 billion. Finally, according to the China Securities Times, the PBoC will lower the re-lending rate for smaller and agri companies by 25bps 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	72.98					CAD	0.8577	0.8999
NZD/USD	0.6776	-0.0002	-0.0008	-0.0025	-0.0074	CHF	0.6270	0.6578
NZD/AUD	0.9531	-0.0007	-0.0018	-0.0043	-0.0106	CNY	4.3135	4.5257
NZD/JPY	76.96	-0.07	-0.18	-0.46	-1.35	DKK	4.4768	4.6971
NZD/EUR	0.6021	-0.0009	-0.0022	-0.0050	-0.0128	FJD	1.4503	1.5216
NZD/GBP	0.5123	-0.0005	-0.0009	-0.0019	-0.0049	HKD	5.2832	5.5431
						KRW	799.10	838.42
AU TWI	59.70					MYR	2.8647	3.0057
AUD/USD	0.7109	0.0004	0.0004	0.0006	0.0001	NOK	6.1215	6.4227
AUD/NZD	1.0492	0.0008	0.0019	0.0047	0.0118	SEK	6.1817	6.4859
AUD/JPY	80.75	-0.02	-0.04	-0.13	-0.53	SGD	0.9263	0.9718
AUD/EUR	0.6317	-0.0005	-0.0011	-0.0024	-0.0064	TWD	18.79	19.72
AUD/GBP	0.5374	-0.0001	0.0001	0.0004	0.0008	ZAR	10.7634	11.2930
USD Index	96.43					EQUITIES		
EUR/USD	1.1254	0.0014	0.0028	0.0053	0.0118		Index	
USD/JPY	113.59	-0.08	-0.13	-0.27	-0.76	NZX50	12,610	
GBP/USD	1.3228	0.0008	0.0006	0.0000	-0.0018	ASX200	7,314	
EUR/GBP	0.8508	0.0005	0.0017	0.0040	0.0101	Dow Jones	35,746	
						S&P 500	4,689	
						FTSE100	7,340	
						DAX 30	15,814	
						Nikkei	28,456	
						COMMODITIES		
							USD	
						Dubai Light	73.20	
						Brent Crude	75.74	
						Gold	1,783.95	
						Silver	22.53	
						CRB Index	237.31	
							NZD	
						NZ Carbon	68.40	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.81%	0.78%	0.00%	0.02%
90 day bank bills	0.90%	0.87%	0.08%	0.04%
FRA 90d in 3mths	1.44%	1.41%	0.18%	0.15%
FRA 180d in 6mths	2.21%	2.18%	0.67%	0.66%
1 year swap	1.69%	1.67%	0.37%	0.36%
2 year swap	2.27%	2.25%	1.00%	0.99%
3 year swap	2.49%	2.47%	1.39%	1.38%
5 year swap	2.56%	2.54%	1.64%	1.57%
10 year swap	2.58%	2.55%	2.00%	1.98%
10 year Govt bond		2.40%		1.65%

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