

# Market Alert

Thursday 9 December 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6815	-0.0025
NZD/AUD	0.9493	-0.0043
NZD/JPY	77.46	-0.46
NZD/EUR	0.6007	-0.0049
NZD/GBP	0.5151	-0.0019
NZD/CNH	4.3230	0.0421
AUD/USD	0.7180	0.0006
AUD/EUR	0.6328	-0.0023
EUR/USD	1.1345	0.0051
USD/CNH	6.3440	0.0858
GBP/USD	1.3232	-0.0001
EUR/GBP	0.8574	0.0039

  

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	0.88%	0.06%
2 year swap	2.26%	0.96%
10 year Govt	2.43%	1.62%

## The greatest Chancellor ever?

I don't know a great deal about past German leaders, but Angela Merkel leaves office with her reputation intact and held in high esteem after officially stepping down as German leader and 16 years as Chancellor. Well done, Angela!

Speaking of European leaders, at the other end of the spectrum, British PM, Boris Johnson, has re-introduced a 'Christmas work-from-home,' made face masks compulsory, and introduced vaccine passports. Considering the weather, I'm sure most UK employees would welcome the opportunity to work from home!

Looking at the data overnight, the BoC maintained the overnight cash rate at 0.25% and repeated it "*sees the slack being absorbed sometime in the middle quarters of 2022*" meaning we should expect a rate hike sometime in mid-2022. In the interim, "*In view of the ongoing excess capacity, the economy continues to require considerable monetary support.*" Furthermore, "*The Bank continues to expect CPI to remain elevated in H1 2022 and ease back towards 2.0% in H2 2022.*" Finally, recent economic indicators suggested the Canadian economy had strengthened considerably in Q4 driven by higher labour costs and a strengthening housing market, but the omicron variant and the British Columbia floods have added to the downside risks.

US job openings increased by 431,000 from the previous month to reach 11.03 million in October, beating market expectations of 10.37 million.

Japanese Q3 GDP was finally confirmed as a 0.9% contraction on the quarter, which was slightly worse than the 0.8% expected, while the current account surplus eased back to JPY1.20 billion against the JPY1.30 billion forecast. Finally, BoJ deputy Governor, Amamiya Masayoshi, has stated the "*Outlook is highly uncertain due to emergence of omicron.*"

Overnight the markets were relatively calm. Equity and commodity bourses were predominately flat following their 2 day surge, bonds firmed with the US 10-year reaching 1.51%, although

the US dollar weakened which lifted the NZD, AUD, and EUR to 2 day highs.

At the peripheral, Pfizer has decided to keep its COVID-19 cash cow rolling in and confirmed 3 vaccine doses offer protection against Omicron. The retiring Blackstone vice chair has sold USD500m worth of stock to "*diversify his childrens' trusts holdings.*" Finally, let's take a moment to reflect on the English cricket team's batting performance yesterday!

## The Yuan and only!

The Chinese Yuan recently advanced to the strongest level since May 2018 as the market appetite for emerging market currencies grew amid easing fears over the new COVID-19 variant. The CNH has now appreciated over 10.0% from its February high against the NZD and over 12.0% against the AUD, making it the best performing currency among majors as China initially recovered strongly from the pandemic and foreign investors added Chinese bonds.

The outlook on the currency, however, is looking uncertain as the PBoC moves to ease monetary policy after cutting the RRR by 0.50bps. There is also talk the central bank will also lower the re-lending rate for small companies and agri companies by 0.25bps to diverge further from its peers. Ultimately, this economic divergence should make Yuan-denominated assets less appealing for foreign investors.



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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	73.09					CAD	0.8620	0.9081
NZD/USD	0.6815	-0.0002	-0.0009	-0.0025	-0.0075	CHF	0.6273	0.6608
NZD/AUD	0.9493	-0.0007	-0.0018	-0.0043	-0.0106	CNY	4.3233	4.5544
NZD/JPY	77.46	-0.07	-0.18	-0.46	-1.36	DKK	4.4663	4.7051
NZD/EUR	0.6007	-0.0008	-0.0021	-0.0049	-0.0127	FJD	1.4464	1.5237
NZD/GBP	0.5151	-0.0004	-0.0009	-0.0019	-0.0049	HKD	5.3133	5.5974
						KRW	801.21	844.05
AU TWI	60.10					MYR	2.8668	3.0200
AUD/USD	0.7180	0.0003	0.0004	0.0006	0.0001	NOK	6.0492	6.3726
AUD/NZD	1.0535	0.0008	0.0020	0.0048	0.0119	SEK	6.1572	6.4864
AUD/JPY	81.61	-0.01	-0.04	-0.12	-0.53	SGD	0.9278	0.9774
AUD/EUR	0.6328	-0.0004	-0.0011	-0.0023	-0.0064	TWD	18.91	19.92
AUD/GBP	0.5426	0.0000	0.0001	0.0004	0.0009	ZAR	10.7240	11.2973
USD Index	95.91					<b>EQUITIES</b>		
EUR/USD	1.1345	0.0012	0.0026	0.0051	0.0116		<b>Index</b>	
USD/JPY	113.67	-0.07	-0.12	-0.26	-0.74	NZX50	12,868	
GBP/USD	1.3232	0.0007	0.0005	-0.0001	-0.0020	ASX200	7,405	
EUR/GBP	0.8574	0.0005	0.0016	0.0039	0.0101	Dow Jones	35,679	
						S&P 500	4,690	
						FTSE100	7,337	
						DAX 30	15,687	
						Nikkei	28,861	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		<b>COMMODITIES</b>		
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>		<b>USD</b>	
30 day bank bills		0.82%	0.78%	0.01%	0.03%	Dubai Light	73.54	
90 day bank bills		0.90%	0.86%	0.08%	0.04%	Brent Crude	75.83	
FRA 90d in 3mths		1.43%	1.40%	0.17%	0.14%	Gold	1,784.03	
FRA 180d in 6mths		2.23%	2.20%	0.64%	0.62%	Silver	22.44	
1 year swap		1.71%	1.68%	0.36%	0.35%	CRB Index	239.96	
2 year swap		2.28%	2.25%	0.97%	0.95%		<b>NZD</b>	
3 year swap		2.49%	2.47%	1.37%	1.36%	NZ Carbon	68.15	
5 year swap		2.56%	2.54%	1.67%	1.58%			
10 year swap		2.58%	2.55%	2.01%	2.01%			
10 year Govt bond			2.42%		1.62%			

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