

# Market Alert

Tuesday 18 January 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6798	-0.0027
NZD/AUD	0.9425	-0.0046
NZD/JPY	77.90	-0.53
NZD/EUR	0.5959	-0.0053
NZD/GBP	0.4981	-0.0015
NZD/CNH	4.3170	0.0270
AUD/USD	0.7213	0.0007
AUD/EUR	0.6323	-0.0025
EUR/USD	1.1408	0.0057
USD/CNH	6.3507	0.0649
GBP/USD	1.3648	-0.0012
EUR/GBP	0.8359	0.0049

  

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.04%	0.07%
2 year swap	2.25%	1.09%
10 year Govt	2.58%	1.92%

## It's 2022 and we're already 'spinning' the numbers!

While we were relatively light on China news yesterday, we will be correcting that this morning!

The Chinese economy expanded 1.4% in Q4 2021 and 4.0% year-on-year, but while growth expanded at its slowest pace since Q2 2021, it did exceed expectations of 1.1% and 3.6%, but wait, let's look at these numbers from a different perspective. If you look at the GDP numbers on a full 2021 calendar year basis, the economy grew at a whopping 8.1%, which was the

fastest expansion in nearly a decade, and exceeded the government's target of above 6.0% growth and 2020s revised 2.2% growth. As with a lot of these data releases, it's all about how you 'spin' the numbers!

Furthermore, industrial production in China advanced 4.3% in the year to December, accelerating from November's 3.8% jump and beating market forecasts of a 3.6% gain. It was the strongest jump in industrial production since August, helped by a recovery in energy production.

In amongst all of the positive news, the PBoC continues to work on managing its property related economic 'slow-down', which saw them cut the 1 year Medium-Term Lending Facility ("MLF") rate to 2.85% from 2.95%, and the 7-day reverse repo-facility to 2.10% from 2.20%. It was the first cut in the MLF since April 2020 and could conceivably be seen as a precursor to a further cut in the 1-year and 5-year Loan Prime Rates on Thursday.

Finally, Chinese President Xi, speaking at the virtual Davos meeting, called on nations to secure global supply chains and prevent inflation shocks stating, "We need to resolve various risks and promote the steady recovery of the world economy. The global industrial and supply chains have been disrupted while commodity prices continue to rise. Energy supply remains tight. These risks compound one another and heighten the uncertainty

about the economic recovery." He also added that the latest reforms are not about egalitarianism, but to "make the pie bigger" and divide it fairly. Meanwhile PBoC Deputy Governor, Liu Guiping, warned about the changing dynamics of the Chinese economy. "COVID-19 has sped up the shift in the global distribution of production. In addition to the influence of geopolitical contests, China's industrial sectors are facing double pressure as industries move into Southeast Asia, or back to developed countries. Furthermore, chip shortages and supply chain stoppages threaten supply chain security and competitiveness."

In amongst all of this, the Yuan retained its recent strengthening bias touching 6.3500 against the USD and 4.3175 against the NZD.

## And the best of the rest

In the other headlines, Australian seasonally adjusted building permits rose by 3.6% November, but with the NYSE closed for a holiday, markets were still pretty quiet.

European equities were up slightly while bond yields continued to grind higher given the weekends bullish comments from various Fed members, with the US 10-year treasury yielding 1.785%.

The US-dollar firmed a touch, which saw the NZD remain around the 0.6800 level, while the AUD and EUR were flat.



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# Daily Rates

Tuesday 18 January 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.72					CAD	0.8510	0.9030
NZD/USD	0.6798	-0.0003	-0.0011	-0.0027	-0.0069	CHF	0.6216	0.6595
NZD/AUD	0.9425	-0.0005	-0.0019	-0.0046	-0.0108	CNY	4.3154	4.5789
NZD/JPY	77.90	-0.05	-0.20	-0.53	-1.50	DKK	4.4346	4.7054
NZD/EUR	0.5959	-0.0007	-0.0022	-0.0053	-0.0135	FJD	1.4436	1.5318
NZD/GBP	0.4981	-0.0001	-0.0006	-0.0015	-0.0043	HKD	5.2957	5.6190
						KRW	810.70	860.21
AU TWI	60.50					MYR	2.8524	3.0265
AUD/USD	0.7213	0.0001	0.0003	0.0007	0.0009	NOK	5.9285	6.2905
AUD/NZD	1.0611	0.0005	0.0022	0.0053	0.0123	SEK	6.1290	6.5032
AUD/JPY	82.66	-0.01	-0.04	-0.15	-0.65	SGD	0.9163	0.9723
AUD/EUR	0.6323	-0.0004	-0.0010	-0.0025	-0.0072	TWD	18.73	19.87
AUD/GBP	0.5285	0.0001	0.0005	0.0010	0.0015	ZAR	10.4589	11.0976
USD Index	95.24					<b>EQUITIES</b>		
EUR/USD	1.1408	0.0008	0.0024	0.0057	0.0145		<b>Index</b>	
USD/JPY	114.60	-0.03	-0.11	-0.33	-1.04	NZX50	12,807	
GBP/USD	1.3648	-0.0002	-0.0006	-0.0012	-0.0022	ASX200	7,417	
EUR/GBP	0.8359	0.0007	0.0021	0.0049	0.0120	Dow Jones	35,912	
						S&P 500	4,663	
						FTSE100	7,611	
						DAX 30	15,934	
						Nikkei	28,334	
<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		0.85%	0.82%	0.02%	0.02%	Dubai Light	84.36	
90 day bank bills		1.07%	1.04%	0.09%	0.05%	Brent Crude	86.55	
FRA 90d in 3mths		1.63%	1.60%	0.33%	0.30%	Gold	1,818.15	
FRA 180d in 6mths		2.24%	2.21%	0.91%	0.89%	Silver	23.00	
1 year swap		1.83%	1.81%	0.51%	0.50%	CRB Index	260.91	
2 year swap		2.26%	2.23%	1.11%	1.07%		<b>NZD</b>	
3 year swap		2.51%	2.48%	1.47%	1.44%	NZ Carbon	72.10	
5 year swap		2.68%	2.65%	1.81%	1.71%			
10 year swap		2.82%	2.80%	2.17%	2.16%			
10 year Govt bond			2.56%		1.92%			

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