

Market Alert

Wednesday 24 November 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6943	-0.0031
NZD/AUD	0.9617	-0.0049
NZD/JPY	79.90	-0.56
NZD/EUR	0.6172	-0.0057
NZD/GBP	0.5193	-0.0023
NZD/CNH	4.4367	0.0394
AUD/USD	0.7220	0.0005
AUD/EUR	0.6418	-0.0026
EUR/USD	1.1250	0.0054
USD/CNH	6.3906	0.0857
GBP/USD	1.3371	-0.0001
EUR/GBP	0.8414	0.0041

INT RATES	NZ	Australia
OCR/Cash	0.50%	0.10%
90 day bills	0.90%	0.05%
2 year swap	2.40%	1.02%
10 year Govt	2.61%	1.87%

Today is the day ...

... that could cement the RBNZ Governor's place in history!

In terms of actual data releases, the US factory manufacturing activity grew above forecasts hitting 59.1 in November, above October's 10 month low of 58.4. The Richmond Fed manufacturing index surged to 11 against the 5 forecast. Although, the Services PMIs dropped to 57.0 in November from 58.7 in the previous month, while the Eurozone Composite PMIs rose to 55.8 from October's six month low of 54.2.

Markets were relatively quiet with equities and commodities mixed. The 10 year US

yield firmed to 1.65% while currencies flat-lined.

Following on from her announcement that Americans *"do have to be concerned about inflation,"* US Treasury Secretary, Janet Yellen let slip that the *"US will have a recession if debt ceiling is not raised."* Meanwhile, Moody's believes that President Biden's USD1.7 trillion 'Build Back Better' spending bill will *"boost economic growth, employment, and productivity enhancing long-term sustainable growth, with little inflationary influence,"* while the US announced the release of 50 million barrels of crude oil from their strategic reserves.

Goldman Sachs expect two Federal Reserve rate hikes in 2022 with a 25bp hike in July and at least one additional increase by year end.

BoE Governor, Andrew Bailey, stated, *"I do not think we will go back to a hard to form of guidance, (it's) not off the table that we give no guidance at all on rates. Bank decisions are made meeting by meeting,"* while the BoC deputy Governor, Paul Beaudry, added *"housing market imbalances and high household debt levels have intensified."*

Marion Kohler, Head of Domestic Markets at the RBA, has announced, *"the Bank is monitoring asset price valuations. It regularly monitor's risk premiums (and is) seeking to determine whether asset prices appear reasonably valued, especially when interest rates are at an all-time low."* Mind you, it may not be such an issue given that the Australia November PMIs showed manu-

facturing contracted to 58.5 against the expected 60.7 although there was a bump for services on the re-opening at 55.0 when just 52.7 was expected. Still, that's better than the New Zealand release, which showed Q3 retail sales down 8.1% on the lockdowns, although a fall of 10.5% was forecast.

While it was no surprise the PBoC left its loan prime rates unchanged, with the 1 year at 3.85% and the 5 year at 4.65%, there is increasing speculation that the central bank will likely cut the RRR, the amount of cash that banks and financial institutions must hold as reserves, by 25 basis points before year end.

The crypto corner

The WSJ announced El Salvador is planning to issue USD1 billion in bonds backed by bitcoin with half of the funds raised to be used to buy bitcoin to hold for five years with the rest to fund construction projects related to bitcoin.

LA Rams NFL player, Odell Beckham Jr, has announced he will convert his USD signing-on bonus, his wages, and his performance bonuses all to bitcoin, which will be potentially USD4.25 million worth!

Although BoE Governor, Andrew Bailey, stated, *"We do not regard crypto assets as direct financial stability issues, but they are potential threats. I'm sceptical that stable coins will evolve into regulated, asset-backed system."*



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Wednesday 24 November 2021

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	74.61					CAD	0.8817
NZD/USD	0.6943	-0.0004	-0.0012	-0.0031	-0.0089	CHF	0.6482
NZD/AUD	0.9617	-0.0007	-0.0021	-0.0049	-0.0122	CNY	4.4376
NZD/JPY	79.90	-0.06	-0.25	-0.56	-1.56	DKK	4.5894
NZD/EUR	0.6172	-0.0007	-0.0027	-0.0057	-0.0142	FJD	1.4611
NZD/GBP	0.5193	-0.0003	-0.0012	-0.0023	-0.0054	HKD	5.4120
						KRW	826.02
AU TWI	60.90					MYR	2.9067
AUD/USD	0.7220	0.0001	0.0004	0.0005	-0.0002	NOK	6.1901
AUD/NZD	1.0399	0.0007	0.0023	0.0053	0.0133	SEK	6.2845
AUD/JPY	83.09	-0.01	-0.07	-0.17	-0.58	SGD	0.9484
AUD/EUR	0.6418	-0.0003	-0.0014	-0.0026	-0.0067	TWD	19.27
AUD/GBP	0.5400	0.0000	0.0000	0.0004	0.0012	ZAR	10.9911
							11.4294
USD Index	96.53					EQUITIES	
EUR/USD	1.1250	0.0007	0.0031	0.0054	0.0117		Index
USD/JPY	115.09	-0.02	-0.16	-0.30	-0.78	NZX50	12,689
GBP/USD	1.3371	0.0001	0.0008	-0.0001	-0.0032	ASX200	7,411
EUR/GBP	0.8414	0.0005	0.0018	0.0041	0.0108	Dow Jones	35,719
						S&P 500	4,659
						FTSE100	7,267
						DAX 30	15,937
						Nikkei	29,774
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Borrow	Invest	Borrow	Invest		USD
30 day bank bills		0.89%	0.86%	0.00%	0.02%	Dubai Light	78.08
90 day bank bills		0.93%	0.89%	0.07%	0.03%	Brent Crude	82.40
FRA 90d in 3mths		1.52%	1.49%	0.15%	0.12%	Gold	1,788.04
FRA 180d in 6mths		2.35%	2.33%	0.63%	0.62%	Silver	23.51
1 year swap		1.75%	1.73%	0.34%	0.34%	CRB Index	250.07
2 year swap		2.41%	2.39%	1.03%	1.01%		NZD
3 year swap		2.68%	2.66%	1.46%	1.45%	NZ Carbon	64.90
5 year swap		2.82%	2.80%	1.82%	1.74%		
10 year swap		2.89%	2.87%	2.23%	2.22%		
10 year Govt bond			2.59%		1.87%		

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED