

Market Alert

Thursday 2 December 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6827	-0.0025
NZD/AUD	0.9585	-0.0044
NZD/JPY	76.99	-0.47
NZD/EUR	0.6027	-0.0051
NZD/GBP	0.5136	-0.0019
NZD/CNH	4.3489	0.0438
AUD/USD	0.7123	0.0006
AUD/EUR	0.6289	-0.0025
EUR/USD	1.1326	0.0054
USD/CNH	6.3704	0.0880
GBP/USD	1.3293	0.0000
EUR/GBP	0.8521	0.0041

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	0.86%	0.05%
2 year swap	2.20%	0.93%
10 year Govt	2.46%	1.73%

Show me the money

Last night was all about manufacturing PMIs ... and if I had a cent for every time I typed 'manufacturing PMI' I'd be 19 cents richer!

And for my first '2 cents' the US ISM manufacturing PMI edged up to 61.1 in November, from 60.8 in October, which was broadly in line with forecasts of 61. This print saw the index in expansionary territory for the 18th consecutive month, even as factories continued to struggle with shortages of raw materials. Ahead of non-farm payrolls, we also saw private businesses hire 534,000 workers in November, which was behind October's

downwardly revised 570,000 while mortgage applications sank 7.2% over the week for the index's biggest decline since mid-February as the impact of higher interest rates kicked in.

The Fed Chair and Treasury Secretary finished the second day of their testimony to the House Financial Services Committee repeating, "Inflation is not transitory. Inflation is more persistent. The Fed will look to speed up the taper. Nevertheless, the Fed expects inflation to moderate next year as supply chain constraints ease and demand and supply become more in balance."

In the Eurozone, the Markit Manufacturing PMI eased to 58.4 against the 58.6 expected, while UK manufacturing PMI flatlined at 58.1 against the 58.2 expected.

Australian Q3 GDP fell into the 'not as bad as expected' category at -1.9% on the quarter when a print at -2.7% was expected. On the year, GDP was a +3.9% beating an expected +3.0%. PMIs have also started to recover in Australia with the November Markit manufacturing PMI increasing to 59.2 from 58.2 while the AiG Manufacturing PMI surged to 54.8 from 50.4. And right on cue, Goldman Sachs stated Australia is placed well to extend their recovery into 2022.

New Zealand building permits fell -2.0% in October following on from September's -1.9% contraction, but don't worry about NZ contracting, not after the government sold all of its carbon quarterly allowance at the NZ ETS auction yesterday as the

price of NZ carbon hit a record high price of NZD68.00, which should help the Government's budget deficit which soared to NZD7.8 billion in the year to October, up 31% on May's forecasts.

The Treasury said expenses were \$4.9 billion above forecast to \$41.9 billion because of spending on the COVID-19 wage subsidy and resurgence payments.

The Japanese November manufacturing PMI surged to a 4 year high at 54.5 from October's 53.2 while former Prime Minister, Shinzo Abe, suggested Japan and the US should defend Taiwan.

Chinese Markit manufacturing PMI for November headlined at 49.9 verse the expected 50.5, while Chinese Vice Premier, Liu He, is expecting economic growth to be higher this year than forecast and the authorities must maintain stability and continuity in economic policy.

The oil bulls

Goldman Sachs says the oil price plunge has "far overshoot" the likely impact of the Omicron variant while BoA is holding its USD85-a-barrel call for 2022 with the potential for the price to exceed USD100 should air-travel recover.

Overall equity and commodity markets maintain their recoveries from Friday's sell-off although the NZD and AUD struggled to consolidate gains as their correlations continue to break down. The T-bond is flat at 1.44%.



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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	73.40					CAD	0.8743
NZD/USD	0.6827	-0.0002	-0.0008	-0.0025	-0.0075	CHF	0.6274
NZD/AUD	0.9585	-0.0008	-0.0018	-0.0044	-0.0107	CNY	4.3473
NZD/JPY	76.99	-0.07	-0.18	-0.47	-1.33	DKK	4.4816
NZD/EUR	0.6027	-0.0010	-0.0023	-0.0051	-0.0127	FJD	1.4503
NZD/GBP	0.5136	-0.0005	-0.0009	-0.0019	-0.0046	HKD	5.3186
						KRW	804.98
AU TWI	60.30					MYR	2.8826
AUD/USD	0.7123	0.0004	0.0005	0.0006	0.0002	NOK	6.2075
AUD/NZD	1.0434	0.0009	0.0020	0.0048	0.0118	SEK	6.1870
AUD/JPY	80.32	-0.01	-0.04	-0.12	-0.50	SGD	0.9314
AUD/EUR	0.6289	-0.0005	-0.0012	-0.0025	-0.0063	TWD	18.97
AUD/GBP	0.5358	-0.0001	0.0000	0.0005	0.0012	ZAR	10.9300
							11.4038
USD Index	95.97					EQUITIES	
EUR/USD	1.1326	0.0016	0.0030	0.0054	0.0118		Index
USD/JPY	112.78	-0.08	-0.14	-0.27	-0.73	NZX50	12,724
GBP/USD	1.3293	0.0011	0.0009	0.0000	-0.0026	ASX200	7,236
EUR/GBP	0.8521	0.0005	0.0017	0.0041	0.0105	Dow Jones	34,569
						S&P 500	4,587
						FTSE100	7,169
						DAX 30	15,473
						Nikkei	27,936
INTEREST RATES		New Zealand		Australia		COMMODITIES	
		Borrow	Invest	Borrow	Invest		USD
30 day bank bills		0.81%	0.78%	0.00%	0.02%	Dubai Light	69.94
90 day bank bills		0.83%	0.80%	0.07%	0.03%	Brent Crude	69.47
FRA 90d in 3mths		1.33%	1.31%	0.15%	0.12%	Gold	1,781.41
FRA 180d in 6mths		2.13%	2.10%	0.55%	0.54%	Silver	22.34
1 year swap		1.60%	1.58%	0.30%	0.30%	CRB Index	232.99
2 year swap		2.21%	2.18%	0.94%	0.92%		NZD
3 year swap		2.47%	2.45%	1.34%	1.33%	NZ Carbon	68.50
5 year swap		2.63%	2.61%	1.70%	1.62%		
10 year swap		2.68%	2.66%	1.99%	1.98%		
10 year Govt bond			2.44%		1.73%		

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