

9 December 2021



Events Round-Up

CA: Bank of Canada policy rate (%), Dec: 0.25 vs. 0.25 exp.

US: JOLTS job openings (m), Oct: 11.0 vs. 10.5 exp.

Good Morning

Following the policy easing early this week, the market has taken a more optimistic view on China's outlook, driving the yuan to a three-year high, with some positive spillover for the AUD and NZD, the latter pushing back up through 0.68. US equities have consolidated after the strong bounce-back over the previous two sessions while global rates have pushed higher.

After a more than 3% bounce-back for the S&P500 over the first two trading days this week, the index is flat for the current session. Pfizer published results of lab tests done on the Omicron variant of COVID19, which suggested a significant reduction in vaccine efficacy from two-doses, but a third booster shot increased antibodies 25-fold compared to the original strain of the virus. Pfizer added that a two-dose regimen may still induce protection against severe disease. The results are broadly consistent with a South African lab study that was released yesterday. Pfizer said a new Omicron-specific vaccine might be available from March 2022.

The FT reported that PM Johnson had decided to implement "plan B" restrictions for England, including an order to work from home and a requirement for vaccine passports at large venues. After consulting with Cabinet, an announcement can be expected soon. GBP was as much as ½% lower after that report, but has since regained that loss to trade at 1.3235.

As widely anticipated, the Bank of Canada left its policy rate unchanged and offered up a slightly more hawkish policy statement than October, but left forward guidance on rates unchanged – the Bank reiterating its commitment to keep rates unchanged until the output gap was closed, which was still expected to be the "middle quarters of 2022". A reference to inflationary pressures being temporary was dropped but overall the incremental change in the statement wasn't hawkish enough for the market's liking, and some of the aggressive rate hike path priced from early next year was priced out of the curve. The 2-year bond rate fell 6bps to 1.08% and the CAD was slightly weaker post-Statement.

Canadian bonds being the exception, global rates have pushed higher, with core European 10-year rates up 5-6bps and the US 10-year Treasury up 4bps to 1.52%, the market building in a concession ahead of the 10-year auction. For a change, the curve has steepened, with the 2-year rate little changed.

An FT poll of economists showed that the majority (56%) expected it was likely or very likely that the Fed's QE programme would be finished by the end of March and 50% believed the first rate hike would come in Q2, with 10% saying even earlier, in Q1 next year. This closely aligns with market pricing based on Fed Funds futures, which suggest a high chance of a 25bps hike by the end of Q2.

In currency markets, CNY has strengthened to a three-year high, with USD/CNY trading down to 6.34, supported by the policy easing early this week, that incorporated a reduction in the RRR for banks, signs that the government was looking to ease curbs on the property market and attempts to reduce contagion risk from the imminent restructuring of Evergrande debt. This dynamic continues to help lift the AUD and NZD from year-to-date lows printed late last week. The AUD and NZD have made modest gains overnight to add to their appreciation during local trading hours, taking them to 0.7180 and just over 0.68 respectively. NZD/AUD continues to retreat, pushing just below 0.95.

GBP and CAD are on the weaker side of the ledger, as noted, alongside the yen, against the backdrop of higher global rates. EUR has enjoyed some support, up 0.9% since this time yesterday to 1.1345. So while NZD crosses against GBP, CAD and JPY are all higher, NZD/EUR has slipped towards 0.60.

The economic calendar has been light. The US JOLTS report showed job openings rising in October to 11m, after two monthly falls, to take it close to the record high set in July. The data remained consistent with a very tight labour market, even if the "quits rate" fell slightly to 2.8% from the record high of 3% in September.

The domestic rates market showed a further narrowing of swap spreads, with NZGB yields up 2-4bps, the larger gains through the 3-5 year part of the curve, while longer term swap rates were 1-2bps lower. Some receiving interest at the long end of the curve was evident despite some upside pressure on rates from global sources.

In the day ahead, we'll be able to firm up our NZ Q3 GDP estimate following the release of manufacturing, wholesale sales and business services data. RBA Governor Lowe speaks this morning. Rounding out the calendar, Chinese CPI and PPI data and US jobless claims data are released.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Manufacturing sales vol (q/q%)	Q3		-0.1	10:45
AU	RBA Governor Lowe speaks at Payments Summit				11:00
CH	CPI (y/y%)	Nov	2.5	1.5	14:30
CH	PPI (y/y%)	Nov	12.1	13.5	14:30
US	Initial jobless claims (k)	4-Dec	220	222	02:30

Source: Bloomberg, BNZ

Foreign Exchange					Equities				Commodities**						
Indicative overnight ranges (*)					Other FX				Major Indices			Price			
	Last	% Day	Low	High		Last	% Day	% Year		Last	Net Day		Last	Net Day	
NZD	0.6817	+0.4	0.6767	0.6819	CHF	0.9207	-0.5		S&P 500	4,688	+0.0	26.6	Oil (Brent)	75.86	+0.5
AUD	0.7179	+0.8	0.7117	0.7184	SEK	9.032	-0.8		Dow	35,675	-0.1	18.2	Oil (WTI)	72.44	+0.5
EUR	1.1349	+0.7	1.1267	1.1350	NOK	8.876	-1.6		Nasdaq	15,734	+0.3	25.0	Gold	1782.3	-0.0
GBP	1.3237	-0.1	1.3163	1.3257	HKD	7.796	-0.0		Stoxx 50	4,233	-1.0	20.1	HRC steel	1616.0	-0.2
JPY	113.66	+0.1	113.31	113.95	CNY	6.344	-0.3		FTSE	7,337	-0.0	11.9	CRB	225.7	+1.1
CAD	1.2643	+0.0			SGD	1.361	-0.4		DAX	15,687	-0.8	18.1	Wheat Chic.	793.3	-1.9
NZD/AUD	0.9496	-0.5			IDR	14,357	-0.1		CAC 40	7,015	-0.5	26.1	Sugar	19.86	+2.0
NZD/EUR	0.6007	-0.3			THB	33.41	-0.8		Nikkei	28,861	+1.4	7.6	Cotton	111.27	-0.7
NZD/GBP	0.5150	+0.4			KRW	1,176	-0.3		Shanghai	3,638	+1.2	7.9	Coffee	245.0	+0.7
NZD/JPY	77.48	+0.5			TWD	27.75	-0.0		ASX 200	7,405	+1.3	10.1	WM powder	4225	-0.4
NZD/CAD	0.8619	+0.4			PHP	50.32	-0.1		NZX 50	12,868	+2.0	-0.2	Australian Futures		
NZ TWI	73.11	+0.0											3 year bond	98.864	0.06
													10 year bond	98.30	0.02

Interest Rates										
	Rates		Swap Yields		Benchmark 10 Yr Bonds		NZ Government Bonds			
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day	Last	Last		
USD	0.25	0.20	0.89	1.59	USD	1.51	0.04	NZGB 5 1/2 04/15/23	1.54	0.02
AUD	0.10	0.06	0.96	2.01	AUD	1.62	-0.03	NZGB 0 1/2 05/15/26	2.29	0.04
NZD	0.75	0.88	2.26	2.57	NZD	2.43	0.02	NZGB 0 1/4 05/15/28	2.34	0.02
EUR	0.00	0.06	-0.34	0.14	GER	-0.31	0.06	NZGB 1 1/2 05/15/31	2.38	0.02
GBP	0.10	0.09	0.99	1.01	GBP	0.78	0.05	NZGB 2 05/15/32	2.43	0.02
JPY	-0.04	-0.07	0.00	0.10	JPY	0.05	-0.01	NZGB 1 3/4 05/15/41	2.77	0.02
CAD	0.25	0.50	1.58	2.07	CAD	1.57	-0.02	NZGB 2 3/4 05/15/51	2.83	0.02

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

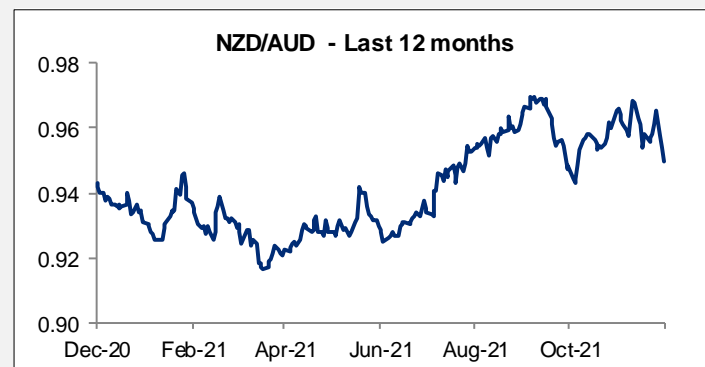
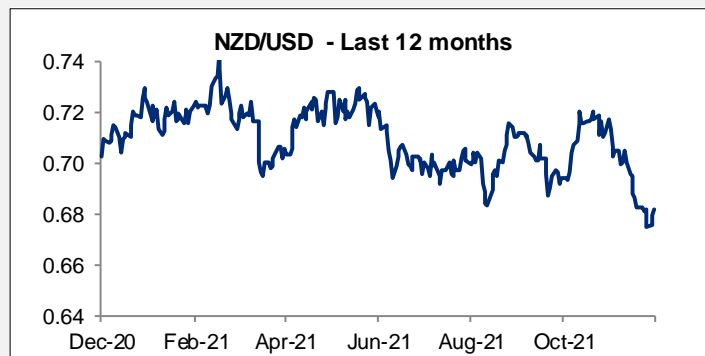
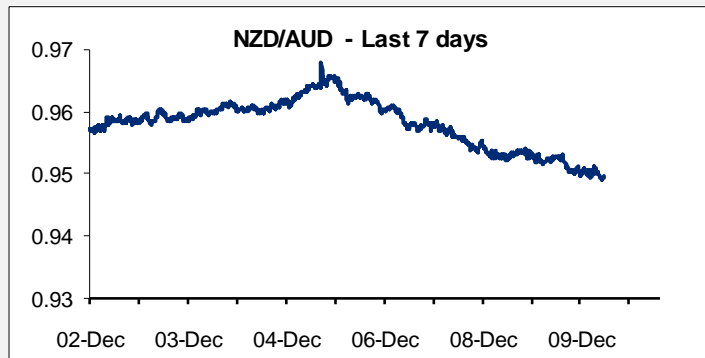
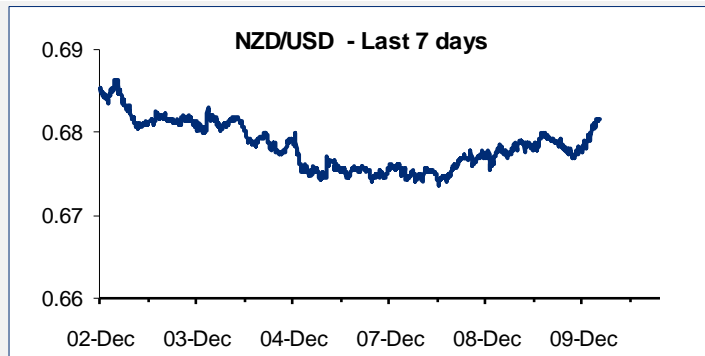
** All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:59

Source: Bloomberg

NZD exchange rates

9/12/2021	6:59 am	Prev. NY close
USD	0.6817	0.6791
GBP	0.5150	0.5128
AUD	0.9496	0.9539
EUR	0.6007	0.6027
JPY	77.48	77.15
CAD	0.8619	0.8583
CHF	0.6276	0.6284
DKK	4.4668	4.4817
FJD	1.4523	1.4526
HKD	5.3147	5.2960
INR	51.44	51.23
NOK	6.0508	6.1247
PKR	120.75	119.78
PHP	34.34	34.24
PGK	2.3936	2.3878
SEK	6.1570	6.1813
SGD	0.9276	0.9279
CNY	4.3248	4.3234
THB	22.82	22.88
TOP	1.5416	1.5375
VUV	77.34	77.42
WST	1.7653	1.7688
XPF	72.18	71.97
ZAR	10.7094	10.7641



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-2.11	-1.61
3 Months	-8.83	-8.29
6 Months	-25.91	-24.67
9 Months	-49.99	-47.57
1 Year	-76.03	-74.03

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-7.74	-6.66
3 Months	-18.26	-16.85
6 Months	-43.98	-41.23
9 Months	-77.34	-72.60
1 Year	-108.53	-103.65

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