

14 December 2021



## Events Round-Up

NZ: Performance of services index, Nov: 46.5 vs. 44.9 prev.

JN: Tankan large manufacturers index, Q4: 18 vs. 19 exp.

## Good Morning

Markets have opened the busy week ahead with a fall in risk sentiment, with notable falls in global equity markets and global rates and safe-haven currencies outperforming. The NZD has unwound much of last week's gain to sit just above 0.6750.

There is plenty of event risk on the calendar this week, including policy updates from the Fed, ECB, BoE and BoJ, amongst other central banks, along with some key data releases including China monthly activity data, US retail sales, NZ GDP and Australian employment. That made Friday's record close on the S&P500 a little surprising, particularly with another incremental hawkish tilt for the Fed likely, later in the week. There has been little news overnight, but investors have adopted a more cautious tone. US equities have tracked lower from the start gate and the S&P500 is currently down 0.7%, while the Nasdaq index is down 1%.

UK PM Johnson warned the UK was facing a "tidal wave" of Omicron infections and called on adults to get a booster shot ahead of the New Year. An Oxford study confirmed the results of others, that a two-dose vaccine regimen showed a substantial drop in neutralising antibodies when exposed to the Omicron variant compared to Delta, while some participants failed to neutralise the virus at all. China reported its first reported Omicron case, albeit from an overseas arrival rather than in the community.

European and UK gas prices are up in the order of 9-10%, the former surpassing the early-October high to close at a new record, after Germany hardened its view on the Nord Stream 2 gas pipeline. The German foreign minister said it didn't comply with EU law and that the build-up of Russian troops on the Ukrainian border was "also a factor". The read-through is that geopolitical factors are clearly an issue. It suggests little relief on additional gas supply required as winter takes hold, raising the prospect of power shortages and much higher costs for consumers and businesses across the region. The vulnerability of energy supplies could extend into next winter, given the time required to rebuild low gas inventories.

The risk off tone has supported global bond markets, with European 10-year rates down in the order of 3-4bps, while the US curve has flattened again, with a 2bps fall in the 2-year rate and a 6bps fall in the 10-year rate to as low as 1.41%, mind-boggling with annual CPI inflation running at 6.8% over the past year.

Safe-haven currencies have been well-supported, including JPY, CHF and the USD. Commodity currencies are at the bottom of the leaderboard. The NZD and AUD are down 0.6% and 0.7% respectively from last week's close, with much of the fall coming overnight. The NZD went briefly below 0.6750, before finding some support. The AUD trades near 0.7125. While NZD/AUD is a touch higher, the NZD is lower on all the other key crosses, including a move below 0.60 against the euro.

Yesterday, we revised our currency forecasts to show a stronger-for-longer USD profile, as the timing of Fed hikes gets closer and the US economy continues to outperform. While the downward revisions for NZD and AUD were minor compared to EUR and GBP, it does mean that the NZD is expected to continue to languish, and the expected trading range through mid-2022 is about a cent lower at 0.66-0.71.

The domestic rates market was very quiet yesterday, with little trading activity. Global forces saw NZGB yields marked down about 3-4bps in yield, while swaps were flat to 1bps lower.

In the day ahead, there are a few bits on the calendar, but none of the top tier releases due later this week, so they shouldn't perturb the market – even the expected further surge in US PPI inflation (9.2% y/y), given that this post-dates the CPI data last week.

[jason.k.wong@bnz.co.nz](mailto:jason.k.wong@bnz.co.nz)

## Coming Up

		Period	Cons.	Prev.	NZT
NZ	Food prices (m/m%)	Nov		-0.9	10:45
AU	NAB business conditions	Nov		11	13:30
UK	Unemployment rate (%)	Oct	4.2	4.3	20:00
EC	Industrial production (m/m%)	Oct	1.3	-0.2	23:00
US	NFIB small business optimism	Nov	98.4	98.2	00:00
US	PPI final demand (y/y%)	Nov	9.2	8.6	02:30
US	PPI ex food and energy (y/y%)	Nov	7.2	6.8	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				
NZD	0.6758	-0.6	0.6746	0.6794	CHF	0.9214	+0.0		S&P 500	4,684	-0.6	27.9	Oil (Brent)	74.98	-0.3
AUD	0.7123	-0.7	0.7111	0.7170	SEK	9.090	+0.4		Dow	35,635	-0.9	18.6	Oil (WTI)	71.76	+0.1
EUR	1.1294	-0.2	1.1260	1.1307	NOK	9.055	+1.2		Nasdaq	15,458	-1.1	24.9	Gold	1786.9	+0.2
GBP	1.3215	-0.4	1.3215	1.3269	HKD	7.803	+0.1		Stoxx 50	4,183	-0.4	20.0	HRC steel	1608.0	+0.1
JPY	113.46	+0.0	113.38	113.73	CNY	6.367	-0.0		FTSE	7,231	-0.8	10.5	CRB	225.9	+0.2
CAD	1.2790	+0.5			SGD	1.368	+0.2		DAX	15,622	-0.0	19.1	Wheat Chic.	792.8	+1.0
NZD/AUD	0.9488	+0.1			IDR	14,331	-0.3		CAC 40	6,943	-0.1	26.1	Sugar	19.61	-0.5
NZD/EUR	0.5984	-0.4			THB	33.45	-0.3		Nikkei	28,640	+0.7	7.1	Cotton	106.98	+0.7
NZD/GBP	0.5114	-0.1			KRW	1,181	-0.0		Shanghai	3,681	+0.4	9.3	Coffee	237.3	+2.0
NZD/JPY	76.68	-0.5			TWD	27.79	+0.2		ASX 200	7,379	+0.4	10.8	WM powder	4200	+0.0
NZD/CAD	0.8643	-0.1			PHP	50.34	-0.0		NZX 50	12,994	+1.1	1.2	<b>Australian Futures</b>		
NZ TWI	72.74	-0.4											3 year bond	98.976	0.06
													10 year bond	98.45	0.09

Interest Rates													
	Rates		Swap Yields		Benchmark 10 Yr Bonds		NZ Government Bonds		NZ Swap Yields				
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day	Last	Last	Last	Last	Last		
USD	0.25	0.20	0.84	1.51	USD	1.42	-0.06	NZGB 5 1/2 04/15/23	1.54	0.00	1 year	1.69	0.01
AUD	0.10	0.06	0.86	1.87	AUD	1.60	-0.03	NZGB 0 1/2 05/15/26	2.27	-0.03	2 year	2.22	-0.01
NZD	0.75	0.89	2.22	2.57	NZD	2.43	-0.03	NZGB 0 1/4 05/15/28	2.34	-0.04	5 year	2.53	-0.01
EUR	0.00	0.06	-0.36	0.08	GER	-0.38	-0.04	NZGB 1 1/2 05/15/31	2.38	-0.04	7 year	2.55	-0.00
GBP	0.10	0.08	0.97	0.95	GBP	0.70	-0.04	NZGB 2 05/15/32	2.43	-0.03	10 year	2.57	-0.01
JPY	-0.03	-0.07	0.00	0.10	JPY	0.05	-0.00	NZGB 1 3/4 05/15/41	2.80	-0.04	15 year	2.60	-0.01
CAD	0.25	0.50	1.46	1.92	CAD	1.41	-0.06	NZGB 2 3/4 05/15/51	2.86	-0.04			

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

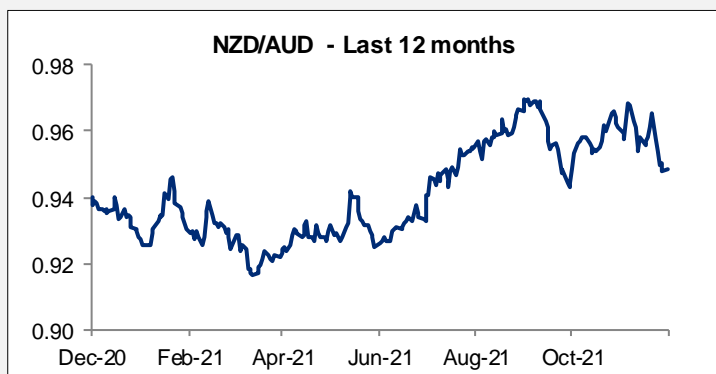
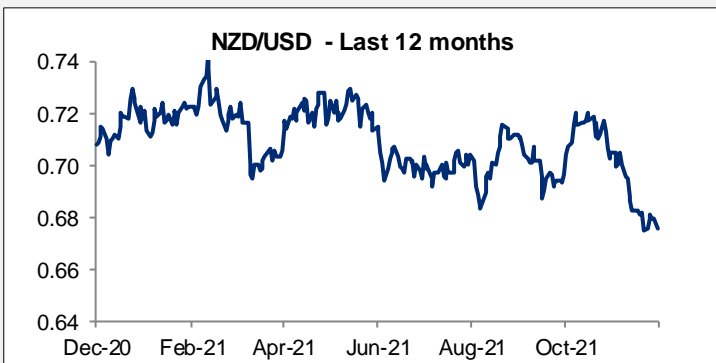
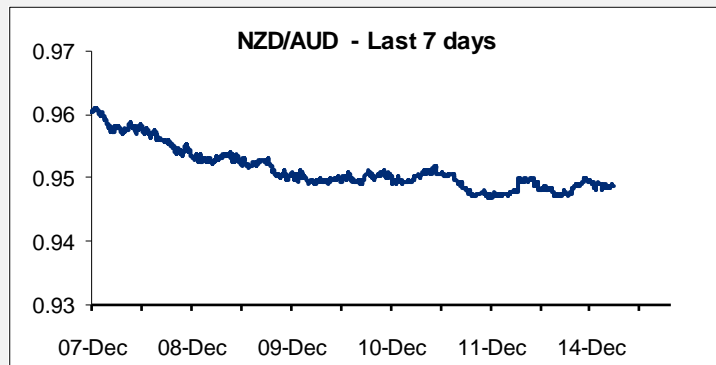
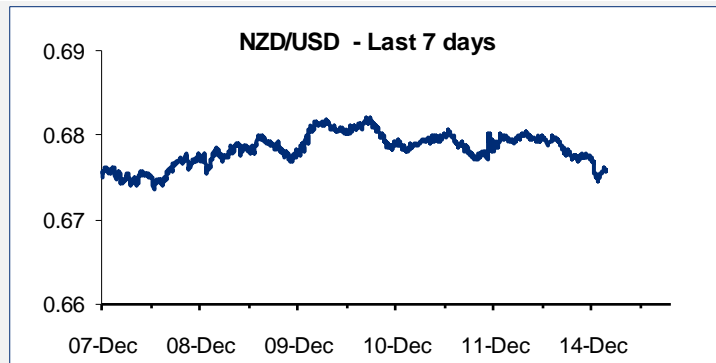
\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:57

Source: Bloomberg

**NZD exchange rates**

14/12/2021 6:58 am		Prev. NY close
USD	0.6758	0.6796
GBP	0.5114	0.5120
AUD	0.9488	0.9476
EUR	0.5984	0.6007
JPY	76.68	77.09
CAD	0.8643	0.8646
CHF	0.6227	0.6261
DKK	4.4494	4.4665
FJD	1.4376	1.4469
HKD	5.2731	5.3001
INR	51.20	51.50
NOK	6.1190	6.0816
PKR	120.17	120.40
PHP	34.02	34.23
PGK	2.3712	2.3972
SEK	6.1428	6.1532
SGD	0.9244	0.9276
CNY	4.3028	4.3291
THB	22.58	22.75
TOP	1.5265	1.5403
VUV	76.28	76.79
WST	1.7595	1.7613
XPF	71.63	71.95
ZAR	10.8229	10.8574



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-3.02	-2.42
3 Months	-10.59	-9.89
6 Months	-28.81	-27.81
9 Months	-52.06	-50.56
1 Year	-78.63	-76.62

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-7.53	-6.18
3 Months	-18.84	-17.18
6 Months	-45.51	-43.09
9 Months	-77.49	-73.70
1 Year	-110.99	-106.08

## Contact Details

### BNZ Research

**Stephen Toplis**

Head of Research  
+64 4 474 6905

**Craig Ebert**

Senior Economist  
+64 4 474 6799

**Doug Steel**

Senior Economist  
+64 4 474 6923

**Jason Wong**

Senior Markets Strategist  
+64 4 924 7652

**Nick Smyth**

Senior Interest Rates Strategist  
+64 4 924 7653

### Main Offices

**Wellington**

Level 4, Spark Central  
42-52 Willis Street  
Private Bag 39806  
Wellington Mail Centre  
Lower Hutt 5045  
New Zealand  
Toll Free: 0800 283 269

**Auckland**

80 Queen Street  
Private Bag 92208  
Auckland 1142  
New Zealand  
Toll Free: 0800 283 269

**Christchurch**

111 Cashel Street  
Christchurch 8011  
New Zealand  
Toll Free: 0800 854 854

### National Australia Bank

**Ivan Colhoun**

Global Head of Research  
+61 2 9237 1836

**Alan Oster**

Group Chief Economist  
+61 3 8634 2927

**Ray Attrill**

Head of FX Strategy  
+61 2 9237 1848

**Skye Masters**

Head of Fixed Income Research  
+61 2 9295 1196

**Wellington**

Foreign Exchange +800 642 222  
Fixed Income/Derivatives +800 283 269

**New York**

Foreign Exchange +1 212 916 9631  
Fixed Income/Derivatives +1 212 916 9677

**Sydney**

Foreign Exchange +61 2 9295 1100  
Fixed Income/Derivatives +61 2 9295 1166

**Hong Kong**

Foreign Exchange +85 2 2526 5891  
Fixed Income/Derivatives +85 2 2526 5891

**London**

Foreign Exchange +44 20 7796 3091  
Fixed Income/Derivatives +44 20 7796 4761

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed. Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of the Global Markets Division of NAB.

NAB maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate the contents should not be relied upon or used as a basis for entering into any products described in this publication. To the extent that any information or recommendations in this publication constitute financial advice, they do not take into account any person's particular financial situation or goals. Bank of New Zealand strongly recommends readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication. National Australia Bank Limited is not a registered bank in New Zealand.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.