

Market Alert

Monday 16 November 2020

CURRENCIES	Spot	6mths
NZD/USD	0.6842	0.0001
NZD/AUD	0.9415	-0.0009
NZD/JPY	71.68	-0.18
NZD/EUR	0.5786	-0.0024
NZD/GBP	0.5192	-0.0005
NZD/CNH	4.5157	0.0612
AUD/USD	0.7268	0.0008
AUD/EUR	0.6143	-0.0020
EUR/USD	1.1832	0.0051
USD/CNH	7.1227	0.0884
GBP/USD	1.3165	0.0016
EUR/GBP	0.8987	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.27%	0.02%
2 year swap	0.18%	0.06%
10 year Govt	0.82%	0.88%

I shall say this only once ...

RBNZ Governor, Adrian Orr, spoke to Bloomberg TV and essentially re-iterated what he's been saying all-along, that he's "very comfortable with FLP, QE programs at present" and that he "has great confidence in the FLP program."

He then had a bit of a pop at the local banks, saying he "hopes the financial markets are watching (the) same info as the RBNZ is" before adding, "foreign asset purchases are not (the) preferred option."

He then finished with a bit of a warning that "border re-openings by 2022 is a bold

assumption" and that the "assumption the economy will keep growing is a big if."

And, as if to highlight the domestic challenges, the NZ manufacturing PMIs for October contracted to 51.7, from the previous 54.0, but there was a bright spot with employment up to 52.6, from 51.7 in September.

On Sunday, 15 nations including China, Japan, Australia, New Zealand, and the 10 members of ASEAN, signed the Regional Comprehensive Economic Partnership, or RCEP. It is the world's largest regional free-trade agreement, encompassing nearly a third of the world's population and global GDP. The agreement paves the way for lower tariffs, less red tape and will support post-pandemic growth. According to Damien O'Connor, NZ Minister for Trade and Export Growth, the RCEP will add USD186 billion to the world economy through improved regional trade.

Bi-partisan US politics is alive and well after Mitch McConnell pushed to nominate controversial figure, Judy Shelton, for a 10-year term as a Fed Governor. President Trump nominated Shelton for a Fed position back in July 2019, but the process has lagged as she's a divisive figure and a long-time critic of the Fed, having once called for higher interest rates and a return to a gold standard. Republicans will require 51 votes in the Senate for Shelton to be confirmed.

The US federal budget deficit for October printed at USD284 billion, worse than the expected USD274.5 billion. The federal deficit is now 16% of GDP, the largest since 1945, and, to provide some comparison, in October 2019 it printed at USD134.5 billion.

Yet more warnings

IMF Managing Director, Kristalina Georgieva, warned countries to "underpin the road to (economic) recovery with continuously strong policy actions," stating they "must not prematurely withdraw fiscal, monetary policy support."

In the 'you don't say' statement of the day, an Australian federal official admitted they are ready to engage with China on their current 'issues'. Mind you, Chinese foreign ministry spokesman Wang Wenbin said that Australia's 'crude' meddling was disrespectful and had 'poisoned' ties between the two countries.

European and US equities closed the week in positive territory, with indices up 1.0%-2.0%, although the US dollar index depreciated for a second day. This saw the NZD and the AUD consolidate within their new higher ranges to be at 0.6845 and 0.7265 respectfully against the USD. Interestingly, the US 10-year yield eased back to close the week at 0.89%, after spiking to a nine month high towards 1.00% last week.



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Daily Rates

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FX	Spot Mid	FECs (mid)				Spot Mid		
		1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.87					CAD	0.8991	0.9550
NZD/USD	0.6842	0.0000	0.0001	0.0001	0.0003	CHF	0.6247	0.6635
NZD/AUD	0.9415	-0.0001	-0.0005	-0.0009	-0.0014	CNY	4.5239	4.8052
NZD/JPY	71.68	-0.02	-0.09	-0.18	-0.35	DKK	4.3071	4.5750
NZD/EUR	0.5786	-0.0003	-0.0013	-0.0024	-0.0046	FJD	1.4411	1.5307
NZD/GBP	0.5192	-0.0001	-0.0003	-0.0005	-0.0009	HKD	5.3046	5.6345
						KRW	758.52	805.69
AU TWI	60.60					MYR	2.8124	2.9873
AUD/USD	0.7268	0.0002	0.0005	0.0008	0.0014	NOK	6.2526	6.6414
AUD/NZD	1.0622	0.0002	0.0006	0.0010	0.0016	SEK	5.9559	6.3263
AUD/JPY	76.15	-0.01	-0.06	-0.12	-0.26	SGD	0.9222	0.9796
AUD/EUR	0.6143	-0.0003	-0.0010	-0.0020	-0.0040	TWD	19.52	20.74
AUD/GBP	0.5521	0.0000	0.0000	0.0000	-0.0002	ZAR	10.6187	11.2790
USD Index	92.76							
EUR/USD	1.1832	0.0008	0.0027	0.0051	0.0101	EQUITIES		
USD/JPY	104.78	-0.03	-0.15	-0.28	-0.56			Index
GBP/USD	1.3165	0.0002	0.0010	0.0016	0.0029	NZX50		12,700
EUR/GBP	0.8987	0.0004	0.0014	0.0028	0.0057	ASX200		6,405
						Dow Jones		29,480
						S&P 500		3,585
						FTSE100		6,316
						DAX 30		13,077
						Nikkei		25,386
						COMMODITIES		
								USD
						Dubai Light		42.23
						Brent Crude		42.78
						Gold		1,888.54
						Silver		24.65
						CRB Index		161.34

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.29%	0.25%	0.02%	0.02%
90 day bank bills	0.29%	0.25%	0.04%	0.00%
FRA 90d in 3mths	0.22%	0.19%	0.04%	-0.01%
FRA 180d in 6mths	0.19%	0.16%	0.05%	0.01%
1 year swap*	0.22%	0.19%	0.04%	0.02%
2 year swap*	0.20%	0.17%	0.07%	0.05%
3 year swap*	0.23%	0.21%	0.11%	0.11%
5 year swap*	0.38%	0.35%	0.31%	0.29%
10 year swap*	0.81%	0.78%	0.86%	0.84%
10 year Govt bond		0.80%		0.88%

* Semi-annual rate resets except AUD 1,2,3 year quarterly

SOURCE: Bloomberg

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