

Market Alert

Tuesday 17 November 2020

CURRENCIES	Spot	6mths
NZD/USD	0.6888	0.0001
NZD/AUD	0.9418	-0.0009
NZD/JPY	72.01	-0.18
NZD/EUR	0.5817	-0.0024
NZD/GBP	0.5223	-0.0005
NZD/CNH	4.5275	0.0617
AUD/USD	0.7314	0.0008
AUD/EUR	0.6176	-0.0019
EUR/USD	1.1842	0.0051
USD/CNH	7.1227	0.0882
GBP/USD	1.3190	0.0016
EUR/GBP	0.8978	0.0027

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.26%	0.02%
2 year swap	0.20%	0.06%
10 year Govt	0.84%	0.89%

COVID pain before vaccine gain

Risk rallied after Moderna announced its experimental vaccine is 94.5% effective in preventing COVID. That's even better than Pfizer!

Internationally, it is now reasonable to assume that a vaccine will be available before year end, although the roll-out of a vaccine programme will not gain traction until the middle of 2021 and it will most likely take up to 12-months for it to reach saturation levels. However, as we enter the Northern Hemisphere winter season, the headlines will get worse and the reporting more sensational, especially

with an 8-9 week political leadership vacuum in the US.

This saw a COVID fatigued market rally as the political aversion to lockdowns and the optimism around vaccines helped to support risk assets. Global bourses were broadly up 1.0%-2.0%, bonds were flat with the US-10 year yielding 0.90%, and 'risk' currencies continued its rally with the NZD/USD at 0.6890 and AUD/USD at 0.7315. The NZD/AUD is at 0.9420.

Interestingly, the Baltic Dry shipping index, which is a good barometer of risk, eased off for the 5th consecutive day by another 0.40%, taking this trend into its 7th week. But the news wasn't all good ... sugar is up nearly 8.0% this month while coffee traders are bidding up the market ahead of Hurricane Iota approaching Central America. If the GDT auction has a significant spike tonight, we might even start feeling sorry for those sweet latte lovers in Ponsonby ... on second thought, no chance!

One country is killing it

China's recovery is still going strong after industrial output growth beat expectations and retail sales hit a 10-month high. Industrial production jumped 6.9% on the year against an expectation of 6.7%, while retail sales were up 4.3% for the year, beating last month's 3.3%. Meanwhile, Chinese October home prices jumped 0.15% for the month, down from September's

0.35%, but, the fact that China created 10.1 million jobs between January to October highlights how strong their economy is, especially as the numbers exceeded the politburo's 9-million 2020 target 2-months ahead of schedule.

In amongst this, President Trump is trying to make the transition as difficult as possible for the President-elect after reports officials plan to "sanction or restrict trade with more Chinese companies, government entities and officials for alleged complicity in human rights violations in Xinjiang and Hong Kong, or threatening U.S. national security. The administration will also crack down on China for its labour practices beyond the Xinjiang forced labour camps." Against this, China has urged the US to stop its unreasonable suppression of Chinese companies.

The Japanese economy advanced 5.0% quarter on quarter in Q3 2020, exceeding market consensus for a 4.4% increase, following on from Q2's record 8.2% slump. Industrial production for September grew 3.9% for the month but is still down 9.0% for the year.

NZ services PMI for October highlighted a modest increase to 51.4 from September's 50.3. Of the sub-indexes, employment remains under 50 for the 8th consecutive month while new orders jumped to 58.4.

Finally, the Fed's Clarida stated "no lift off until inflation sustained at 2.0%."



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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	73.14					CAD	0.9015	0.9573
NZD/USD	0.6888	0.0000	0.0001	0.0001	0.0003	CHF	0.6284	0.6672
NZD/AUD	0.9418	-0.0001	-0.0005	-0.0009	-0.0014	CNY	4.5352	4.8157
NZD/JPY	72.01	-0.02	-0.10	-0.18	-0.35	DKK	4.3312	4.5990
NZD/EUR	0.5817	-0.0003	-0.0013	-0.0024	-0.0046	FJD	1.4471	1.5366
NZD/GBP	0.5223	-0.0001	-0.0003	-0.0005	-0.0009	HKD	5.3404	5.6707
						KRW	763.27	810.48
AU TWI	60.90					MYR	2.8336	3.0088
AUD/USD	0.7314	0.0001	0.0005	0.0008	0.0014	NOK	6.2561	6.6430
AUD/NZD	1.0619	0.0001	0.0006	0.0010	0.0015	SEK	5.9499	6.3179
AUD/JPY	76.46	-0.01	-0.06	-0.12	-0.26	SGD	0.9268	0.9841
AUD/EUR	0.6176	-0.0003	-0.0010	-0.0019	-0.0040	TWD	19.65	20.86
AUD/GBP	0.5545	0.0000	-0.0001	-0.0001	-0.0002	ZAR	10.5589	11.2119
USD Index	92.64							
EUR/USD	1.1842	0.0008	0.0027	0.0051	0.0101	EQUITIES		
USD/JPY	104.55	-0.03	-0.15	-0.28	-0.55			Index
GBP/USD	1.3190	0.0002	0.0010	0.0016	0.0029	NZX50		12,745
EUR/GBP	0.8978	0.0004	0.0014	0.0027	0.0056	ASX200		6,484
						Dow Jones		29,823
						S&P 500		3,603
						FTSE100		6,421
						DAX 30		13,139
						Nikkei		25,907
						COMMODITIES		
								USD
						Dubai Light		42.55
						Brent Crude		43.73
						Gold		1,887.49
						Silver		24.70
						CRB Index		163.25

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	0.28%	0.24%	0.04%	0.00%
FRA 90d in 3mths	0.27%	0.19%	0.04%	-0.01%
FRA 180d in 6mths	0.21%	0.18%	0.05%	0.01%
1 year swap*	0.22%	0.19%	0.05%	0.01%
2 year swap*	0.21%	0.18%	0.07%	0.06%
3 year swap*	0.24%	0.22%	0.11%	0.11%
5 year swap*	0.39%	0.36%	0.31%	0.30%
10 year swap*	0.81%	0.79%	0.88%	0.86%
10 year Govt bond		0.82%		0.89%

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

SOURCE: Bloomberg

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