

Market Alert

Wednesday 18 November 2020

CURRENCIES	Spot	6mths
NZD/USD	0.6889	0.0001
NZD/AUD	0.9437	-0.0009
NZD/JPY	71.79	-0.17
NZD/EUR	0.5805	-0.0024
NZD/GBP	0.5201	-0.0005
NZD/CNH	4.5137	0.0619
AUD/USD	0.7301	0.0008
AUD/EUR	0.6151	-0.0019
EUR/USD	1.1868	0.0050
USD/CNH	7.1227	0.0887
GBP/USD	1.3248	0.0016
EUR/GBP	0.8959	0.0027

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.25%	0.02%
2 year swap	0.23%	0.06%
10 year Govt	0.91%	0.96%

Very much a concern

Fed Reserve Chair, Jerome Powell, was speaking at a virtual Bay Area Council event and said an economic recovery still has a "long way to go," and the economy will continue to need support from both fiscal and monetary policy.

The comments are hardly surprising and echo the theme from the Fed's meeting last week — a message that we are likely to continue to hear until a stimulus package is passed by Congress.

Powell reiterated that the Fed is committed to "using all of our tools to support the recovery for as long as it takes until the job is well and truly done."

He did note that since June, the economic recovery has been stronger than expected, but cautioned that 15 states had implemented some form of restriction, which could hamper the recovery and the recent surge in cases was "very much a concern." Speaking of which, another 150,000 cases were reported in the US today.

The Atlanta Fed released its live running estimate of Q4 GDP, which has improved. "The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2020 was 5.4% on November 17, up from 3.5% on November 6." Recent data releases showed an improvement in personal consumption.

ECB chief economist, Philip Lane, put it as simply as possible, stating there will be cheap credit as long as pandemic crisis lasts.

UK's trade negotiator, David Frost, has told UK Prime Minister, Boris Johnson, to expect a Brexit trade deal early next week. Boris Johnson plans to cut overseas aid spending to help repair COVID-ravaged public finances.

An economist at the Chinese Academy of Social Sciences ("CASS") 'think tank' in Beijing stated that China should set an average yearly GDP target of 5.0% for 2021-2025. Meanwhile, PBOC Governor, Yi Ganag, has been hinting about winding back monetary stimulus saying, "China should stabilise its macro leverage ratio."

This is right out of Star Trek ... China's military took possession of two strategic hilltops on the China-India border by using 'microwave weapons.' At least the Indian soldiers had a warm dinner!

Kiwi takes flight

Markets took a breather overnight and digested just how serious the surge in COVID cases are as economies enter new lockdown measures – dovish comments from central bankers also added to the pull back in optimism. A slight risk off tone overnight saw global equities flat and Treasuries get bought as the 10 year yield slipped 4 bps to 0.87%. The NZD/USD reached 0.6920 overnight before pulling back below 0.6900 while the AUD/USD sits around 0.7300. The NZD/AUD remains stable at 0.9435.

Speculators have increased their CFTC longs in NZD and CHF, although AUD longs have been trimmed. The unwinding of short and increasing of long positions has been a response to USD weakness, and has helped the NZD/USD hit a 20 month high this week and the AUD/USD climb to a two month high.

Meanwhile, NZ Trade Minister, Damian O'Connor, said "a strong NZ dollar is always a concern." Just tell that to a certain Mr Orr.

Positive GDT auction overnight as the overall price index rose 1.8% while Whole Milk Powder also increased 1.8%.



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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	73.05					CAD	0.9014	0.9552
NZD/USD	0.6889	0.0000	0.0001	0.0001	0.0003	CHF	0.6272	0.6646
NZD/AUD	0.9437	-0.0001	-0.0005	-0.0009	-0.0013	CNY	4.5169	4.7866
NZD/JPY	71.79	-0.02	-0.09	-0.17	-0.34	DKK	4.3232	4.5813
NZD/EUR	0.5805	-0.0004	-0.0013	-0.0024	-0.0046	FJD	1.4411	1.5272
NZD/GBP	0.5201	-0.0001	-0.0003	-0.0005	-0.0009	HKD	5.3408	5.6597
						KRW	761.13	806.58
AU TWI	61.10					MYR	2.8291	2.9980
AUD/USD	0.7301	0.0001	0.0005	0.0008	0.0014	NOK	6.2435	6.6163
AUD/NZD	1.0597	0.0002	0.0006	0.0010	0.0015	SEK	5.9397	6.2943
AUD/JPY	76.08	-0.01	-0.06	-0.11	-0.25	SGD	0.9248	0.9800
AUD/EUR	0.6151	-0.0003	-0.0010	-0.0019	-0.0040	TWD	19.66	20.83
AUD/GBP	0.5511	0.0000	0.0000	-0.0001	-0.0001	ZAR	10.6277	11.2623
USD Index	92.43							
EUR/USD	1.1868	0.0008	0.0027	0.0050	0.0100	EQUITIES		
USD/JPY	104.21	-0.04	-0.14	-0.27	-0.54			Index
GBP/USD	1.3248	0.0002	0.0010	0.0016	0.0029	NZX50		12,765
EUR/GBP	0.8959	0.0005	0.0014	0.0027	0.0056	ASX200		6,498
						Dow Jones		29,774
						S&P 500		3,617
						FTSE100		6,365
						DAX 30		13,133
						Nikkei		26,015
						COMMODITIES		
								USD
						Dubai Light		43.42
						Brent Crude		43.46
						Gold		1,885.63
						Silver		24.56
						CRB Index		163.79

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	0.27%	0.23%	0.04%	0.00%
FRA 90d in 3mths	0.24%	0.20%	0.04%	-0.01%
FRA 180d in 6mths	0.23%	0.20%	0.05%	0.01%
1 year swap*	0.24%	0.21%	0.04%	0.01%
2 year swap*	0.24%	0.21%	0.07%	0.06%
3 year swap*	0.28%	0.25%	0.12%	0.11%
5 year swap*	0.43%	0.40%	0.32%	0.31%
10 year swap*	0.87%	0.85%	0.89%	0.88%
10 year Govt bond		0.89%		0.96%

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

SOURCE: Bloomberg

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