

Market Alert

Friday 20 November 2020

CURRENCIES	Spot	6mths
NZD/USD	0.6916	0.0000
NZD/AUD	0.9496	-0.0010
NZD/JPY	71.76	-0.18
NZD/EUR	0.5829	-0.0025
NZD/GBP	0.5218	-0.0006
NZD/CNH	4.5488	0.0625
AUD/USD	0.7284	0.0008
AUD/EUR	0.6139	-0.0020
EUR/USD	1.1865	0.0051
USD/CNH	7.1227	0.0900
GBP/USD	1.3256	0.0016
EUR/GBP	0.8951	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.25%	0.02%
2 year swap	0.22%	0.07%
10 year Govt	0.84%	0.89%

I spy

In a joint statement the 5-eye partners, the US, UK, Australia, Canada, and New Zealand reiterated their serious concerns on China's imposition of new rules to disqualify elected legislators in Hong Kong.

In the statement, Australian PM, Scott Morrison, remained defiant stating he wouldn't compromise Australia's national security and sovereignty after China aired 14 grievances accusing Australia of meddling in domestic affairs in Hong Kong, Xinjiang and Taiwan, spying, calling for the Wuhan probe, and for rejecting "Chinese companies seeking to invest in

Australia under the excuse of national security." As Mr Morrison said, "Australia will always be ourselves" ... we will bite our tongues and leave it there!

Mind you, the most actively traded iron ore futures contract, on the Dalian Exchange in China, just hit a record high of 877 yuan/tonne. This is one product China won't stop buying from Australia!

Speaking of Australia, its October jobs market report showed a huge +178.8k lift in employment, with full-time employment increasing 978k and part-time jumping 81.8k. The participation rate was also up to 65.8% to produce an all-in unemployment rate of 7.0%. And they need fruit pickers as well!

China's been busy as well having sold its first negative-yielding sovereign bond, a Euro-denominated deal that drew bumper demand from European debt investors. The offering, which drew in EUR18 billion worth of orders for EUR4 billion of bonds, included a 5-year EUR750 million bond priced 0.30% pips above the benchmark mid-swap rate of -0.45%, effectively offering investors an interest rate of -0.15%.

With the number of Americans filing for unemployment benefits increasing to 742k from last weeks 711k, the shine was well and truly taken off equity markets with overnight indices down 0.0%-1.0%. The rising US dollar pushed European currencies lower, which saw the NZD and AUD ease to 0.6910 and 0.7275 respectively, although the

NZD/AUD cross spiked to 0.9495. The 10-year Treasury is at 0.85%.

Central Bank talk

Fed Dallas President, Robert Kaplan, sees 2021 being very strong for US economy although "we could have negative growth in Q4 as the virus surges." He is "not ruling out the economy slipping back into recession, but I don't know if more Fed bond buying is the answer."

The ECB will not lower its inflation target as part of its ongoing policy review, Governing Council member, Pablo Hernandez de Cos, said that any recalibration should focus on the PEPP and TLTRO programmes.

The South Korea finance minister announced that after hitting a 2-year high, the "won's moves are excessive (and we) will take steps to stabilise."

According to the IMF, the pandemic has fuelled a global 'tsunami of debt' as governments and companies took on an additional USD15 trillion of borrowings in the first nine months of 2020.

Michael Barnier, European Commission's Head of Task Force for Relations, with the United Kingdom — is that really his job title? — has suspended Brexit negotiations for a short period after one negotiator tested positive.

Finally, Turkey, a country that's not known for taking a backward step, raised its benchmark one-week repo rate by 4.75% to 15.0%!



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.45					CAD	0.9037	0.9517
NZD/USD	0.6916	0.0000	0.0000	0.0000	0.0002	CHF	0.6300	0.6635
NZD/AUD	0.9496	-0.0002	-0.0006	-0.0010	-0.0016	CNY	4.5531	4.7950
NZD/JPY	71.76	-0.02	-0.10	-0.18	-0.36	DKK	4.3436	4.5743
NZD/EUR	0.5829	-0.0003	-0.0013	-0.0025	-0.0048	FJD	1.4452	1.5220
NZD/GBP	0.5218	-0.0001	-0.0004	-0.0006	-0.0010	HKD	5.3615	5.6464
						KRW	770.32	811.25
AU TWI	60.80					MYR	2.8222	2.9721
AUD/USD	0.7284	0.0002	0.0005	0.0008	0.0014	NOK	6.2252	6.5559
AUD/NZD	1.0531	0.0002	0.0007	0.0011	0.0017	SEK	5.9511	6.2672
AUD/JPY	75.57	-0.01	-0.06	-0.11	-0.25	SGD	0.9300	0.9794
AUD/EUR	0.6139	-0.0003	-0.0010	-0.0020	-0.0040	TWD	19.73	20.78
AUD/GBP	0.5495	0.0000	-0.0001	0.0000	-0.0001	ZAR	10.6556	11.2217
USD Index	92.42							
EUR/USD	1.1865	0.0007	0.0028	0.0051	0.0101	EQUITIES		
USD/JPY	103.76	-0.03	-0.15	-0.27	-0.54			Index
GBP/USD	1.3256	0.0002	0.0010	0.0016	0.0028	NZX50		12,557
EUR/GBP	0.8951	0.0004	0.0014	0.0028	0.0057	ASX200		6,547
						Dow Jones		29,396
						S&P 500		3,570
						FTSE100		6,334
						DAX 30		13,086
						Nikkei		25,634
						COMMODITIES		
								USD
						Dubai Light		43.12
						Brent Crude		43.95
						Gold		1,866.64
						Silver		24.08
						CRB Index		164.42

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	0.26%	0.23%	0.04%	-0.01%
FRA 180d in 6mths	0.23%	0.20%	0.05%	0.01%
1 year swap*	0.23%	0.21%	0.03%	0.02%
2 year swap*	0.23%	0.20%	0.08%	0.07%
3 year swap*	0.27%	0.24%	0.13%	0.13%
5 year swap*	0.43%	0.40%	0.33%	0.32%
10 year swap*	0.86%	0.83%	0.87%	0.87%
10 year Govt bond		0.82%		0.89%

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

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