

Market Alert

Monday 23 November 2020

CURRENCIES	Spot	6mths
NZD/USD	0.6928	0.0000
NZD/AUD	0.9477	-0.0010
NZD/JPY	71.93	-0.19
NZD/EUR	0.5846	-0.0025
NZD/GBP	0.5216	-0.0006
NZD/CNH	4.5375	0.0614
AUD/USD	0.7310	0.0008
AUD/EUR	0.6166	-0.0020
EUR/USD	1.1855	0.0051
USD/CNH	7.1227	0.0883
GBP/USD	1.3295	0.0016
EUR/GBP	0.8917	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	0.81%	0.86%

Show me the money

US Treasury Secretary, Steven Mnuchin, has denied an extension of some of the Fed's support programs for the economy and has demanded unused funds be returned.

Specifically, Mr Mnuchin will not be extending the Fed's corporate credit, municipal lending and Main Street Lending programs, but he will be extending the short-term CP business loans, another for money market functioning, and a backstop programme related to the Paycheque Protection Program.

Depending on your point of view, there are two rationales for withdrawing

the funds; firstly, the unused funds from the Fed will allow Congress to spend the money elsewhere on fiscal support targeting a larger, more beneficial economic impact; or; secondly, cancelling the support programs will further damage an already fragile economy creating a larger issue for the new administration to clean up.

By all accounts, we are talking about USD450-USD580 billion here, which Steven Mnuchin hopes can be used as grants rather than debt. This could quite possibly incorporate grants to a property company that is based in a tower in New York — possibly, allegedly!

Almost immediately, Fed member and Atlanta President, Raphael Bostic, hit back saying he was, *"a bit surprised by the decision (as the) emergency lending tools have been helpful. It would be prudent to keep the emergency facilities open (as the) presence of the facilities gave people confidence, even when they weren't used."* In central bank language, a 'bit surprised' equates to 'absolutely fuming' in everyday language.

The Fed then released their statement, and the language remained just as strong: *"The Federal Reserve would prefer that the full suite of emergency facilities established during the coronavirus pandemic continue to serve their important role as a backstop for our still-strained and vulnerable economy."*

Australian preliminary retail sales for October showed a powerful +1.6%

jump on the month. However, it wasn't so good in Japan where headline CPI fell -0.4% in the year to October, nor in the UK, where November's consumer confidence for November fell to -33 from October's -31. Finally, the Eurozone consumer confidence fell 2.1% to -17.6% in November to record its lowest level since May.

Friday saw a quiet close to the week with European equities up slightly, while US markets closed down a touch. The US 10-year yield finished the week at 0.83%, while the NZD/USD and AUD/USD were 'steady eddie' at 0.6930 and 0.7310

International talkfest

G20 leaders endorsed a plan to extend a freeze in official debt service payments by the poorest countries. So far this year, the G20 debt relief initiative has helped 46 countries defer USD5.7 billion in 2020 debt service payments,

The UK Times reports on Brexit that, *"There's increasing expectation of a deal,"* and talking of trade deals, the UK has agreed a post-Brexit trade deal with Canada.

In front running Wednesday's latest UK fiscal stimulus, British Finance Minister, Rishi Sunak, said there would be no return to austerity even as the pandemic pushes the country's debt further above GBP 2 trillion. To date, Mr Rishi has generated massive government spending increases and tax cuts equating to about 10% of economic output.



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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	73.58					CAD	0.9075	0.9576
NZD/USD	0.6928	0.0000	0.0000	0.0000	0.0002	CHF	0.6313	0.6661
NZD/AUD	0.9477	-0.0002	-0.0006	-0.0010	-0.0016	CNY	4.5484	4.7994
NZD/JPY	71.93	-0.02	-0.10	-0.19	-0.36	DKK	4.3519	4.5921
NZD/EUR	0.5846	-0.0004	-0.0014	-0.0025	-0.0048	FJD	1.4452	1.5250
NZD/GBP	0.5216	-0.0001	-0.0004	-0.0006	-0.0010	HKD	5.3705	5.6668
						KRW	772.80	815.45
AU TWI	60.80					MYR	2.8360	2.9925
AUD/USD	0.7310	0.0002	0.0005	0.0008	0.0014	NOK	6.2466	6.5913
AUD/NZD	1.0552	0.0002	0.0007	0.0011	0.0017	SEK	5.9714	6.3009
AUD/JPY	75.88	-0.01	-0.06	-0.12	-0.26	SGD	0.9307	0.9821
AUD/EUR	0.6166	-0.0003	-0.0010	-0.0020	-0.0041	TWD	19.78	20.87
AUD/GBP	0.5498	0.0000	-0.0001	0.0000	-0.0001	ZAR	10.6673	11.2559
USD Index	92.39							
EUR/USD	1.1855	0.0008	0.0028	0.0051	0.0102	EQUITIES		
USD/JPY	103.81	-0.04	-0.15	-0.28	-0.55			Index
GBP/USD	1.3295	0.0002	0.0010	0.0016	0.0029	NZX50		12,442
EUR/GBP	0.8917	0.0005	0.0014	0.0028	0.0057	ASX200		6,539
						Dow Jones		29,263
						S&P 500		3,558
						FTSE100		6,351
						DAX 30		13,137
						Nikkei		25,527
						COMMODITIES		
								USD
						Dubai Light		43.41
						Brent Crude		44.96
						Gold		1,870.33
						Silver		24.16
						CRB Index		165.91

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	0.25%	0.22%	0.04%	-0.01%
FRA 180d in 6mths	0.22%	0.19%	0.05%	0.01%
1 year swap*	0.23%	0.20%	0.03%	0.02%
2 year swap*	0.23%	0.20%	0.07%	0.06%
3 year swap*	0.26%	0.24%	0.12%	0.12%
5 year swap*	0.42%	0.39%	0.32%	0.31%
10 year swap*	0.83%	0.80%	0.87%	0.86%
10 year Govt bond		0.79%		0.86%

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

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