

Market Alert

Tuesday 24 November 2020

CURRENCIES	Spot	6mths
NZD/USD	0.6921	0.0000
NZD/AUD	0.9500	-0.0011
NZD/JPY	72.25	-0.19
NZD/EUR	0.5843	-0.0025
NZD/GBP	0.5200	-0.0006
NZD/CNH	4.5545	0.0618
AUD/USD	0.7285	0.0009
AUD/EUR	0.6151	-0.0019
EUR/USD	1.1844	0.0051
USD/CNH	7.1227	0.0892
GBP/USD	1.3310	0.0016
EUR/GBP	0.8899	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.25%	0.02%
2 year swap	0.23%	0.07%
10 year Govt	0.80%	0.85%

Arden to the rescue

NZ Prime Minister, Jacinda Arden, spoke by phone with US President-elect, Joe Biden, and offered access to NZ health officials and expertise to help deal with the COVID-19 disaster in the US. The NZ advice probably starts with ... live on an island at the bottom of the world!

Data overnight saw US factory growth hit its highest level in 6-years after the Manufacturing PMI jumped to 56.7 in November from 53.4 in October, beating market forecasts of 53.0. This was followed by US HS Markit Services PMI, which hit an equally impressive 5-1/2

year high rising to 57.7 in November from its October 56.9. In Singapore, Q3 GDP was a positive 9.2%, although it shrank 5.8% on an annualised basis.

New Zealand retail sales, excluding inflation, printed at a stellar +28.0% in Q3, exceeding the +19.0% forecast, and producing an 8.3% jump on the year.

All of this positive data saw US and EU stocks churn higher as investors piled into companies that will benefit most from a return to normal economic activity, although tech shares lagged, and gold slumped. Symbolically BlackRock, the world's largest asset manager, has upgraded US equities to "overweight," turning bullish on large cap tech and small cap firms. Treasury's were quiet, with the US 10-year yield at 0.86%, Japan returning 0.01%, while Germany yields -0.58%. In amongst this, the US dollar index staged a modest recovery after getting trashed in the Asian trading zone. Currently NZD/USD is at 0.6920, AUD/USD 0.7285, and NZD/AUD is at 0.9500.

ECB's Chief Economist, Philip Lane, announced the current lockdown will lead to a drop in economic activity, but it won't be as severe as earlier in the year.

BOE Governor, Andrew Bailey, stated the central bank's balance sheet, "will be bigger than it was pre-financial crisis on a sustained basis" although in time the "Balance sheet will be lower than it is now as QE will need to be partially unwound over time."

Ex-Fed Chair, Janet Yellen, appears to be the favourite to be named as Biden's Treasury Secretary.

Australian Treasurer, Josh Frydenberg, is set to expand business tax breaks that will allow for the instant deduction of new capex expenditure for those firms that turnover more than AUD5.0 billion.

China is planning to include new measures to encourage more births and address its rapidly ageing population as part of its new 5-year plan that will result in extensive financial and policy support to encourage couples to have more children.

A word of warning

The S&P 500's earnings yield is currently 3.60%, having recovered from a 3.53% low a week ago. Last week's yield was it's lowest since June 2000, when the measure was 3.50%.

Investors who bought the basket of shares then and held it through for the subsequent decade would have lost almost 25% in price returns and more than 9% in total returns. Mind you ... at least bonds produced a yield back in the early 2000's!

A cyberattack on Australian hedge fund Levitas Capital via a fake Zoom invite, ultimately led to the theft of AUD8 million and the closure of the fund after its largest institutional client withdrew funds.



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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	73.54					CAD	0.9058	0.9535
NZD/USD	0.6921	0.0000	0.0000	0.0000	0.0001	CHF	0.6313	0.6645
NZD/AUD	0.9500	-0.0002	-0.0006	-0.0011	-0.0018	CNY	4.5577	4.7976
NZD/JPY	72.25	-0.03	-0.11	-0.19	-0.38	DKK	4.3496	4.5785
NZD/EUR	0.5843	-0.0004	-0.0014	-0.0025	-0.0049	FJD	1.4404	1.5162
NZD/GBP	0.5200	-0.0001	-0.0004	-0.0006	-0.0010	HKD	5.3644	5.6467
						KRW	772.02	812.66
AU TWI	60.90					MYR	2.8452	2.9949
AUD/USD	0.7285	0.0002	0.0005	0.0009	0.0014	NOK	6.2567	6.5860
AUD/NZD	1.0526	0.0003	0.0007	0.0012	0.0020	SEK	5.9759	6.2904
AUD/JPY	76.05	-0.01	-0.06	-0.12	-0.25	SGD	0.9303	0.9792
AUD/EUR	0.6151	-0.0003	-0.0010	-0.0019	-0.0040	TWD	19.74	20.78
AUD/GBP	0.5473	0.0000	0.0000	0.0000	-0.0001	ZAR	10.6774	11.2393
USD Index	92.51							
EUR/USD	1.1844	0.0009	0.0028	0.0051	0.0101	EQUITIES		
USD/JPY	104.40	-0.04	-0.16	-0.28	-0.56	Index		
GBP/USD	1.3310	0.0002	0.0010	0.0016	0.0028	NZX50	12,502	
EUR/GBP	0.8899	0.0005	0.0014	0.0028	0.0057	ASX200	6,562	
						Dow Jones	29,506	
						S&P 500	3,570	
						FTSE100	6,334	
						DAX 30	13,127	
						Nikkei	25,527	
						COMMODITIES		
							USD	
						Dubai Light	44.94	
						Brent Crude	45.89	
						Gold	1,838.85	
						Silver	23.57	
						CRB Index	166.93	

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	0.23%	0.20%	0.05%	0.01%
1 year swap*	0.24%	0.21%	0.04%	0.02%
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*	0.84%	0.82%	0.86%	0.85%
10 year Govt bond		0.78%		0.85%

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

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