

# Market Alert

Wednesday 25 November 2020

CURRENCIES	Spot	6mths
NZD/USD	0.6977	0.0000
NZD/AUD	0.9488	-0.0011
NZD/JPY	72.93	-0.20
NZD/EUR	0.5872	-0.0025
NZD/GBP	0.5222	-0.0006
NZD/CNH	4.5906	0.0630
AUD/USD	0.7354	0.0008
AUD/EUR	0.6189	-0.0020
EUR/USD	1.1882	0.0051
USD/CNH	7.1227	0.0904
GBP/USD	1.3361	0.0016
EUR/GBP	0.8893	0.0028

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.25%	0.02%
2 year swap	0.31%	0.07%
10 year Govt	0.91%	0.89%

## Does anyone remember negative rates?

Are the Finance Minister and the RBNZ Governor trying to talk the currency up, because if they are ... they're doing a great job of it!

NZ Finance Minister, Grant Robertson, announced he's written to RBNZ Governor, Adrian Orr, seeking advice on whether to include house price stability as a factor within the RBNZ's monetary policy remit. Is this the Government admitting they can't control house prices, or a subliminal part of Mr Orr's wider agenda? We're not sure which it

is, but the government did let slip they are "reviewing housing settings" although they are "not proposing any changes to the RBNZ's mandate or independence— no, of course not!

To be fair, Mr Orr pushed back very quickly stating they "already take asset prices into consideration" and that "monetary and financial policies alone cannot solve property issues." He then added "house prices are an important channel that affects inflation, (while) lower interest rates promote spending, investment."

## Time to withdraw stimulus?

US stocks rallied to new record highs with the Dow hitting the psychological 30k level after the General Services Administration acknowledged Joe Biden as the apparent winner of the presidential election, thereby initiating the formal start of the President-elect's transition period.

This saw investors flood into both US and European equities, with bourses up 1.0-2.0% as investors weighed into risk assets. In amongst this, commodities surged as oil flew past the USD45 level, although silver and gold gave up some of their recent gains. The USD reverted to trend as sellers returned, which saw the NZD/USD trade above 0.7000 for the first time since June 2018, while the AUD/USD topped out at 0.7368. Currently, both are trading at 0.6975

and 0.7350 respectively. Finally, global 10 year yields were stable with the US at 0.86%, while Bitcoin hit the USD19k level.

On the data front, the average US house price, with a mortgage guaranteed by Fannie Mae and Freddie Mac, jumped 1.7% in September, following on from August's 1.5% rise. The German IFO Business Climate indicator dropped to 90.7 in November from October's 92.5, and the UK's CBI retail sales survey dropped two points to -25 in November, but it was comfortably above market expectations of -35.

RBA Deputy Governor, Guy Debelle, announced, "the Australian dollar has fallen by a noticeable amount since QE was first priced in by markets." He then added that he "does not expect a rate hike for 3 years," and that he's "not convinced negative rates would work."

ECB governing council member, Olli Rehn, was on the newswires stating the ECB "must keep the current financing conditions for as long as needed," before adding the "ECB may need to consider recalibration of TLTROs" adding that "PEPP, bank loans are top tools for stimulus."

A run of 10 SOE defaults have led to investors questioning the level of support local Chinese government entities can and will provide to local SOE's, which account for an estimated 60% of all Chinese company debt.



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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	73.96					CAD	0.9082	0.9572
NZD/USD	0.6977	0.0000	0.0000	0.0000	-0.0001	CHF	0.6362	0.6705
NZD/AUD	0.9488	-0.0002	-0.0006	-0.0011	-0.0020	CNY	4.5988	4.8469
NZD/JPY	72.93	-0.03	-0.11	-0.20	-0.40	DKK	4.3697	4.6054
NZD/EUR	0.5872	-0.0004	-0.0013	-0.0025	-0.0051	FJD	1.4599	1.5387
NZD/GBP	0.5222	-0.0001	-0.0004	-0.0006	-0.0012	HKD	5.4078	5.6996
						KRW	774.53	816.33
AU TWI	61.10					MYR	2.8593	3.0136
AUD/USD	0.7354	0.0002	0.0005	0.0008	0.0014	NOK	6.2250	6.5609
AUD/NZD	1.0540	0.0002	0.0007	0.0012	0.0023	SEK	5.9715	6.2937
AUD/JPY	76.88	-0.01	-0.06	-0.12	-0.26	SGD	0.9362	0.9867
AUD/EUR	0.6189	-0.0003	-0.0010	-0.0020	-0.0040	TWD	19.90	20.97
AUD/GBP	0.5504	0.0000	-0.0001	0.0000	-0.0001	ZAR	10.6139	11.1866
USD Index	92.23							
EUR/USD	1.1882	0.0008	0.0027	0.0051	0.0101	<b>EQUITIES</b>		
USD/JPY	104.55	-0.04	-0.15	-0.28	-0.55			<b>Index</b>
GBP/USD	1.3361	0.0002	0.0010	0.0016	0.0028	NZX50		12,553
EUR/GBP	0.8893	0.0004	0.0014	0.0028	0.0057	ASX200		6,644
						Dow Jones		30,021
						S&P 500		3,637
						FTSE100		6,432
						DAX 30		13,292
						Nikkei		26,166
						<b>COMMODITIES</b>		
								<b>USD</b>
						Dubai Light		45.22
						Brent Crude		47.88
						Gold		1,805.53
						Silver		23.24
						CRB Index		169.63

  

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	0.28%	0.27%	0.05%	0.01%
1 year swap*	0.26%	0.23%	0.05%	0.01%
2 year swap*	0.32%	0.30%	0.08%	0.07%
3 year swap*	0.37%	0.34%	0.14%	0.12%
5 year swap*	0.53%	0.51%	0.35%	0.34%
10 year swap*	0.96%	0.93%	0.91%	0.89%
10 year Govt bond		0.89%		0.89%

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

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