

Market Alert

Friday 27 November 2020

CURRENCIES	Spot	6mths
NZD/USD	0.7002	0.0000
NZD/AUD	0.9508	-0.0010
NZD/JPY	72.99	-0.19
NZD/EUR	0.5877	-0.0025
NZD/GBP	0.5245	-0.0006
NZD/CNH	4.5967	0.0629
AUD/USD	0.7364	0.0008
AUD/EUR	0.6181	-0.0020
EUR/USD	1.1915	0.0051
USD/CNH	7.1227	0.0896
GBP/USD	1.3350	0.0016
EUR/GBP	0.8925	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.25%	0.02%
2 year swap	0.27%	0.08%
10 year Govt	0.90%	0.91%

Surely that isn't the issue ... and don't call me Shirley

The ECB's October minutes reinforce the expectation for further stimulus and a lowering of yields after officials agreed there was a need to signal the necessity of 'recalibrating' the ECB's monetary policy instruments at the December meeting.

Policymakers viewed the possibility that the pandemic will have a longer-lasting impact that originally anticipated, and while policymakers viewed the existing stimulus measures as effective, they questioned the 'diminishing returns' within the current economic

environment with the outlook clearly tilted to the downside.

ECB chief economist, Philip Lane, was re-enforcing the view that EU monetary policy will remain low for a long time stating "*Monetary policy continues to have a clear role in ensuring the preservation of favourable financial conditions*" but surely that isn't the issue ... and don't call me Shirley!

With headline inflation now expected to be in negative territory for longer than had been foreseen in September (we've heard that before), and the leaders of Poland and Hungary continuing to block July's EUR1.8 trillion spending package that includes the EUR750 million COVID-fund, the issue within the Euro-zone is fast tracking fiscal support, not financial conditions.

Yesterday's FOMC minutes did not tell us anything we didn't already know, although there was some talk about tweaking the existing QE programme. Fed officials noted that it could provide more accommodation, if appropriate, by increasing the pace of purchases, by extending the duration of its Treasury purchases, or by conducting purchases of the same pace and composition over a longer time horizon.

The New Zealand trade balance for October came in bang on target producing a NZD501 million deficit, which was considerably better than September's NZD1,017 million shortfall. Exports came in at NZD4.78 billion, up

on last month's NZD4.01 billion, while imports headlined at NZD5.29 billion which was similar to September's NZD5.02 billion.

Overnight snooze fest

With the Thanksgiving holiday, markets were quiet with most indices off 0.0-1.0%. Commodities were mixed, and bonds flat, although the 10-year UK Gilt fell to 0.29% on Brexit concerns. The US 10-year yield is at 0.88%. The NZD and AUD both had quiet sessions and are currently trading at 0.7000 and 0.7365 respectively, against the USD.

The Peterson Institute for International Economics (PIIE), an independent non-profit, non-partisan research organization, has analysed that China isn't complying with the US Phase 1 trade deal stating that "*with ten months of 2020 now in the books, China has purchased less than half of the US exports Trump pledged it would buy this year under his Phase One deal.*"

BoK Governor, Lee Ju-yeol, stated the recent gain in the Korean won is a 'bit fast' — wait a minute, the KRW has rallied 2.26% this month while the NZD has rallied 5.65% — shouldn't Governor Orr be saying something?

Australian Q3 private capex fell -3.0% on the quarter against an expected -1.5% contraction. And finally, following yesterday's close above USD19,000 for the first time since 2017, bitcoin has plunged 12% to be at USD16,400.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Friday 27 November 2020

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.08					CAD	0.9112	0.9584
NZD/USD	0.7002	0.0000	0.0000	0.0000	0.0001	CHF	0.6348	0.6676
NZD/AUD	0.9508	-0.0002	-0.0005	-0.0010	-0.0016	CNY	4.6040	4.8422
NZD/JPY	72.99	-0.02	-0.10	-0.19	-0.38	DKK	4.3740	4.6003
NZD/EUR	0.5877	-0.0004	-0.0013	-0.0025	-0.0049	FJD	1.4580	1.5335
NZD/GBP	0.5245	-0.0001	-0.0004	-0.0006	-0.0010	HKD	5.4268	5.7076
						KRW	774.51	814.59
AU TWI	61.30					MYR	2.8461	2.9933
AUD/USD	0.7364	0.0002	0.0005	0.0008	0.0014	NOK	6.2160	6.5376
AUD/NZD	1.0517	0.0002	0.0006	0.0011	0.0018	SEK	5.9691	6.2779
AUD/JPY	76.77	-0.01	-0.07	-0.12	-0.27	SGD	0.9373	0.9857
AUD/EUR	0.6181	-0.0003	-0.0010	-0.0020	-0.0041	TWD	19.96	21.00
AUD/GBP	0.5516	0.0000	-0.0001	-0.0001	-0.0001	ZAR	10.6557	11.2070
USD Index	92.03							
EUR/USD	1.1915	0.0008	0.0027	0.0051	0.0102	EQUITIES		
USD/JPY	104.25	-0.04	-0.15	-0.28	-0.56			Index
GBP/USD	1.3350	0.0002	0.0010	0.0016	0.0028	NZX50		12,602
EUR/GBP	0.8925	0.0005	0.0013	0.0028	0.0057	ASX200		6,636
						Dow Jones		29,872
						S&P 500		3,630
						FTSE100		6,363
						DAX 30		13,287
						Nikkei		26,537
						COMMODITIES		
								USD
						Dubai Light		46.68
						Brent Crude		47.80
						Gold		1,808.65
						Silver		23.30
						CRB Index		170.40

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

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED