

Market Alert

Monday 30 November 2020

CURRENCIES	Spot	6mths
NZD/USD	0.7022	0.0000
NZD/AUD	0.9513	-0.0010
NZD/JPY	73.08	-0.20
NZD/EUR	0.5871	-0.0026
NZD/GBP	0.5272	-0.0006
NZD/CNH	4.6172	0.0633
AUD/USD	0.7382	0.0008
AUD/EUR	0.6172	-0.0020
EUR/USD	1.1960	0.0053
USD/CNH	7.1227	0.0900
GBP/USD	1.3328	0.0017
EUR/GBP	0.8974	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.25%	0.02%
2 year swap	0.26%	0.08%
10 year Govt	0.89%	0.90%

Rising tensions

Amongst rising political tensions, Iran has accused Israel and the US of organising the assassination of Mohsen Fakhri-zadeh, Iran's top nuclear scientist, and vowed revenge.

This has seen a sharp escalation of tensions in the Persian Gulf as we head into the final weeks of Donald Trump's presidency.

The *Financial Times* reported that the UK will become the first western country to approve a COVID vaccine with deliveries of the Pfizer vaccine to begin within hours of the authorisation and

the first injections could take place on 7 December.

Equities closed the week in positive territory, although markets were quiet given Thursday's Thanksgiving holiday. Interestingly, it would appear that shares have been tracking the recent surge in oil prices, with crude having climbed 27% in November. This was partially driven by the weaker U dollar index, which is down more than 2.5% over November to be at its lowest level in 7 months. This in turn has seen the NZD/USD and AUD/USD cement gains above 0.7000 and 0.7300, to currently be at 0.7022 and 0.7382.

I can feel it in the water

Brexit is going down to the wire, as the EU and the UK maintain big differences remain in place.

BoC Governor, Tiff Macklem, stated "we do have the capacity to do more things if needed and ample potential to scale up QE if that were needed. We could potentially lower the effective lower bound even without going negative, it's at 25 bps, it could be a little bit lower. Negative rates are in our toolkit, but they would not be terribly helpful at this time".

The NZ Treasury, in their weekly forecast, highlighted the strong Q3 retail sales number present an upside risk to the Treasury's GDP growth forecast.

Industrial profits in China grew 19.1%, underpinned by both improving domestic

consumption and external demand.

The PBoC quarterly report reiterated that, "China has no foundation for long-term inflation or deflation" and that, "prudent monetary policy will be more flexible and targeted." The PBoC then announced that they "will keep yuan exchange rates flexible and let the market play a decisive role in the formation of yuan rate." Hmmm ... I am not so sure about that last one.

The AUD will probably get a boost after Tuesday's RBA meeting given that it has risen in all but one of the preceding 13 RBA meetings. November was the exception when the central bank cut its cash rate to 0.10% and expanded its QE program.

To date 80 Australian coal ships have been refused entry to Chinese ports ... and we are still counting. And if that wasn't bad enough, China stated that Australian exporters have been dumping wine into its market and that it will impose provisional anti-dumping measures in the form of deposits on wine imported from Australia.

But don't worry, Australia Chinese Foreign Ministry spokesperson, Hua Chunying, welcomed the RCEP trade deal stating, "China will work with ASEAN countries to sustain the smooth flow of trade, promote mutual investment, open up markets wider to each other, and foster deeply integrated industrial, supply and value chains." Just don't disagree with them ...



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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	74.27					CAD	0.9128	0.9596
NZD/USD	0.7022	0.0000	0.0000	0.0000	-0.0001	CHF	0.6354	0.6679
NZD/AUD	0.9513	-0.0003	-0.0006	-0.0010	-0.0019	CNY	4.6222	4.8590
NZD/JPY	73.08	-0.05	-0.11	-0.20	-0.40	DKK	4.3694	4.5933
NZD/EUR	0.5871	-0.0006	-0.0013	-0.0026	-0.0050	FJD	1.4587	1.5334
NZD/GBP	0.5272	-0.0003	-0.0004	-0.0006	-0.0012	HKD	5.4426	5.7215
						KRW	776.64	816.45
AU TWI	61.40					MYR	2.8608	3.0074
AUD/USD	0.7382	0.0002	0.0005	0.0008	0.0014	NOK	6.2092	6.5274
AUD/NZD	1.0512	0.0003	0.0006	0.0011	0.0021	SEK	5.9779	6.2843
AUD/JPY	76.84	-0.04	-0.07	-0.12	-0.27	SGD	0.9397	0.9879
AUD/EUR	0.6172	-0.0005	-0.0011	-0.0020	-0.0041	TWD	20.04	21.07
AUD/GBP	0.5539	-0.0001	-0.0001	-0.0001	-0.0002	ZAR	10.7024	11.2509
USD Index	91.79							
EUR/USD	1.1960	0.0013	0.0028	0.0053	0.0102	EQUITIES		
USD/JPY	104.09	-0.08	-0.16	-0.28	-0.56			Index
GBP/USD	1.3328	0.0007	0.0011	0.0017	0.0029	NZX50		12,640
EUR/GBP	0.8974	0.0005	0.0014	0.0028	0.0057	ASX200		6,601
						Dow Jones		29,910
						S&P 500		3,638
						FTSE100		6,368
						DAX 30		13,336
						Nikkei		26,645
						COMMODITIES		
								USD
						Dubai Light		47.03
						Brent Crude		48.18
						Gold		1,784.32
						Silver		22.33
						CRB Index		171.03

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	0.27%	0.23%	0.04%	-0.01%
FRA 180d in 6mths	0.28%	0.25%	0.06%	0.02%
1 year swap*	0.21%	0.17%	0.03%	0.02%
2 year swap*	0.27%	0.25%	0.08%	0.07%
3 year swap*	0.32%	0.29%	0.13%	0.12%
5 year swap*	0.48%	0.45%	0.34%	0.32%
10 year swap*	0.92%	0.89%	0.88%	0.87%
10 year Govt bond		0.87%		0.90%

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

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