

Market Alert

Tuesday 1 December 2020

CURRENCIES	Spot	6mths
NZD/USD	0.7025	0.0001
NZD/AUD	0.9553	-0.0011
NZD/JPY	73.27	-0.20
NZD/EUR	0.5879	-0.0026
NZD/GBP	0.5265	-0.0007
NZD/CNH	4.6214	0.0622
AUD/USD	0.7353	0.0009
AUD/EUR	0.6154	-0.0020
EUR/USD	1.1948	0.0054
USD/CNH	7.1227	0.0881
GBP/USD	1.3343	0.0018
EUR/GBP	0.8955	0.0028
INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.25%	0.02%
2 year swap	0.24%	0.08%
10 year Govt	0.85%	0.90%

Therein lies the problem

NZ bank lending for housing surged 1% for the month of October to produce the highest amount that has ever been lent. Annualised, the jump was at 7.3%. Against this, business lending fell -0.5% for the month and -3.1% on the year, while consumer lending fell -11.2% for the year.

The issue is that bank capital requirements for mortgage lending are lower than other forms of lending, in a product that produces the highest returns, why wouldn't the banks do this?

New Zealand business confidence for November improved to -6.9, from October's -15.7, while the own activity outlook also saw an improvement, to 9.1, from the previous month's 4.7.

Overnight, there was a host of second-tier data. Australian inventories for Q3 were down -0.5% on the quarter against an expected -0.7% decline, while Australian Q3 company operating profits were up 3.2%, although this was weaker than the expected +4.0%.

In Germany, CPI fell the most in almost 6 years after consumer prices decreased -0.3% from a year earlier, the decline driven by subdued domestic demand. Meanwhile, China's November manufacturing PMI's surged to a 3 year high at 52.1, driven by strong domestic and international demand, while non-manufacturing PMI's printed just above expectations at 56.4.

The strong Chinese data confirms an impressive turnaround from the deep contraction earlier in the year. The Chinese economy is expected to expand by around 2.0% in 2020, the weakest in more than three decades but much stronger than other major economies.

The impact on equities was minimal though, as stocks fell from records levels as investors assessed the prospects for risk assets after a blistering month long rally. In other words, they locked in profits at the end of a stellar month!

European indices were down 1.0-2.0%, while US markets were off 0.0-1.0%. The US 10 year is yielding 0.84%, while the comparable Chinese yield is at 3.28% and in Germany it's at -0.58%. The NZD/USD is at 0.7030, the AUD/USD is trading at 0.7355, while the NZD/AUD has firmed to 0.9555.

In other, minor news, the IMF has warned that the 'scarring effects' of European lockdowns could hit growth in the euro zone as they have "damaged confidence and lowered mobility."

The Guggenheim Macro Opportunities Fund may invest up to 10% of assets in bitcoin via the Grayscale Bitcoin Trust, which solely invests in Bitcoin. This news saw bitcoin stage a remarkable turnaround to hit a new record high above USD19,000.

What a nice problem to have

S&P Global have announced that Tesla will join the S&P 500 Index, effective December 21st, but this will create a problem! By joining the index, investors and tracker funds will be required to purchase Tesla stock while selling the stock that has dropped out of the index, but the addition to the S&P 500 of a USD555 billion company that is prone to huge price swings is so daunting, that S&P Global are considering adding Tesla's weighting to the index over two separate trading days as it is expected to put USD100 billion worth of trades into motion.



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Daily Rates

Tuesday 1 December 2020

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.36					CAD	0.9118	0.9544
NZD/USD	0.7025	0.0000	0.0000	0.0001	0.0000	CHF	0.6365	0.6663
NZD/AUD	0.9553	-0.0003	-0.0007	-0.0011	-0.0018	CNY	4.6209	4.8371
NZD/JPY	73.27	-0.06	-0.11	-0.20	-0.39	DKK	4.3755	4.5802
NZD/EUR	0.5879	-0.0006	-0.0014	-0.0026	-0.0050	FJD	1.4576	1.5258
NZD/GBP	0.5265	-0.0003	-0.0004	-0.0007	-0.0011	HKD	5.4457	5.7005
						KRW	778.43	814.86
AU TWI	61.50					MYR	2.8633	2.9972
AUD/USD	0.7353	0.0003	0.0006	0.0009	0.0014	NOK	6.2368	6.5286
AUD/NZD	1.0468	0.0003	0.0007	0.0012	0.0020	SEK	6.0083	6.2894
AUD/JPY	76.70	-0.03	-0.06	-0.12	-0.26	SGD	0.9411	0.9851
AUD/EUR	0.6154	-0.0005	-0.0010	-0.0020	-0.0041	TWD	20.06	21.00
AUD/GBP	0.5511	-0.0001	-0.0001	0.0000	-0.0001	ZAR	10.8511	11.3588
USD Index	91.80							
EUR/USD	1.1948	0.0014	0.0029	0.0054	0.0103	EQUITIES		
USD/JPY	104.32	-0.09	-0.16	-0.29	-0.56			Index
GBP/USD	1.3343	0.0008	0.0012	0.0018	0.0028	NZX50		12,769
EUR/GBP	0.8955	0.0005	0.0014	0.0028	0.0058	ASX200		6,518
						Dow Jones		29,533
						S&P 500		3,616
						FTSE100		6,266
						DAX 30		13,291
						Nikkei		26,434
						COMMODITIES		
								USD
						Dubai Light		46.55
						Brent Crude		47.38
						Gold		1,780.56
						Silver		22.62
						CRB Index		169.55

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	0.26%	0.23%	0.07%	0.03%
1 year swap*	0.25%	0.23%	0.04%	0.03%
2 year swap*	0.25%	0.22%	0.08%	0.07%
3 year swap*	0.30%	0.27%	0.14%	0.13%
5 year swap*	0.46%	0.42%	0.35%	0.32%
10 year swap*	0.89%	0.86%	0.90%	0.88%
10 year Govt bond		0.83%		0.90%

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

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