

Market Alert

Thursday 10 December 2020

CURRENCIES	Spot	6mths
NZD/USD	0.7017	0.0003
NZD/AUD	0.9443	-0.0009
NZD/JPY	73.17	-0.16
NZD/EUR	0.5817	-0.0024
NZD/GBP	0.5250	-0.0005
NZD/CNH	4.5871	0.0517
AUD/USD	0.7431	0.0011
AUD/EUR	0.6160	-0.0019
EUR/USD	1.2063	0.0054
USD/CNH	7.1227	0.0708
GBP/USD	1.3366	0.0018
EUR/GBP	0.9025	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.27%	0.02%
2 year swap	0.26%	0.09%
10 year Govt	0.93%	1.03%

Inflation ... what inflation?

This was a bit of a surprise, and little concerning for those that are calling for a return of inflationary pressures in 2021. Chinese November CPI came in at -0.5% on the year against a 0.0% consensus. This was the first decline since 2009 and a sharp drop from October's +0.5%. It is important to note that while China avoided the brunt of the pandemic, retail spending has been soft to bounce back and now prices are negative. Drilling into the detail, food prices fell 2.0%, its first contraction in nearly 3 years, with prices of pork tumbling after soaring last year due to the African Swine outbreak, but

even without the food component, the index still posted -0.1%.

The BoC central bank meeting provided ... nothing of interest! It left the overnight cash rate at 0.25% while maintaining its forward guidance and QE programs. What will provide a spark of interest will be tonight's ECB meeting where it is expected they will increase stimulus measures to combat the recent lockdowns. Meanwhile, EU leaders are discussing an accord aimed at resolving the political stalemate that has been holding back July's budget and COVID stimulus packages.

It was a different story in Australia after the December consumer sentiment index rose 4.1% to 112.0 in December to further cement November's 2.5% rise. Australia dwelling approvals also jumped 3.8% on the month, following on from September's 16.2% surge.

In NZ, September quarter manufacturing activity jumped 10.0% following June's 11.9% contraction.

With little of note overnight, markets traded sideways. The NZD/USD is at 0.7020, AUD/USD is at 0.7435, and NZD/AUD at 0.9445 off the AUD strength.

What the man giveth, the man taketh

US Treasury Secretary, Steven Mnuchin, presented a USD916 billion stimulus

proposal to Congressional leaders.

While the proposal included USD600 stimulus cheques it also cut USD300 off unemployment benefits. Unsurprisingly, this proposal was rejected by Pelosi and Co.

SoftBank shares rose 5.0% after it was announced it debated a strategy of gradually buying back its outstanding shares. DoubleLine's bond guru, Jeff Gundlach, expects US inflation to range between 2.25%-2.4% next year, citing the old 'copper-to-gold ratio.' Nope, we hadn't heard of that one either. He has also suggested the FAANGs appear to be breaking down and that small caps could continue to outperform. There seems to be an awful lot of 'if's', 'what's' and 'maybe's' in his comments!

JPMorgan CEO, Jamie Dimon, said "I wouldn't touch Treasuries at these rates with a 10-foot pole!" We guess funding for retirement isn't really an issue for him! Mind you, in 2018, he warned borrowers that rates would rise above 5.0%.

DoorDash, the largest US IPO of the year after it raised USD3.37 billion, is trading at a 175.0% premium to its listing price of USD102.

In the latest blow for Mr Trump, the US Supreme Court has rebuffed the Republican's attempt to block Biden's Pennsylvania win, while the Democrats are probing son-in-law Kushner's role in influencing US policy on Qatar as part of a billion-dollar rescue deal for a family-owned skyscraper.



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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	73.84					CAD	0.9001	0.9532
NZD/USD	0.7017	0.0002	0.0003	0.0003	0.0004	CHF	0.6251	0.6620
NZD/AUD	0.9443	-0.0003	-0.0005	-0.0009	-0.0016	CNY	4.5911	4.8619
NZD/JPY	73.17	-0.04	-0.08	-0.16	-0.34	DKK	4.3295	4.5849
NZD/EUR	0.5817	-0.0005	-0.0012	-0.0024	-0.0048	FJD	1.4487	1.5342
NZD/GBP	0.5250	-0.0002	-0.0003	-0.0005	-0.0009	HKD	5.4387	5.7595
						KRW	763.34	808.37
AU TWI	61.50					MYR	2.8779	3.0477
AUD/USD	0.7431	0.0004	0.0007	0.0011	0.0016	NOK	6.2077	6.5738
AUD/NZD	1.0590	0.0003	0.0006	0.0010	0.0017	SEK	5.9707	6.3229
AUD/JPY	77.49	-0.02	-0.05	-0.10	-0.23	SGD	0.9394	0.9948
AUD/EUR	0.6160	-0.0004	-0.0009	-0.0019	-0.0040	TWD	19.78	20.95
AUD/GBP	0.5559	0.0000	0.0000	0.0001	0.0000	ZAR	10.5260	11.1468
USD Index	91.14							
EUR/USD	1.2063	0.0014	0.0029	0.0054	0.0106	EQUITIES		
USD/JPY	104.29	-0.09	-0.16	-0.28	-0.54			Index
GBP/USD	1.3366	0.0008	0.0012	0.0018	0.0030	NZX50		12,889
EUR/GBP	0.9025	0.0005	0.0014	0.0029	0.0059	ASX200		6,728
						Dow Jones		30,034
						S&P 500		3,671
						FTSE100		6,564
						DAX 30		13,340
						Nikkei		26,818
						COMMODITIES		
								USD
						Dubai Light		48.42
						Brent Crude		48.87
						Gold		1,832.41
						Silver		23.76
						CRB Index		168.93

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.28%	0.24%	0.02%	0.02%
90 day bank bills	0.29%	0.25%	0.04%	0.00%
FRA 90d in 3mths	0.27%	0.24%	0.05%	0.00%
FRA 180d in 6mths	0.28%	0.25%	0.07%	0.03%
1 year swap*	0.27%	0.24%	0.05%	0.03%
2 year swap*	0.28%	0.24%	0.09%	0.08%
3 year swap*	0.32%	0.29%	0.15%	0.14%
5 year swap*	0.47%	0.43%	0.39%	0.38%
10 year swap*	0.94%	0.90%	1.00%	0.99%
10 year Govt bond		0.92%		1.03%

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

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