

# Market Alert

Friday 11 December 2020

CURRENCIES	Spot	6mths
NZD/USD	0.7088	0.0002
NZD/AUD	0.9411	-0.0010
NZD/JPY	73.92	-0.17
NZD/EUR	0.5846	-0.0024
NZD/GBP	0.5337	-0.0005
NZD/CNH	4.6352	0.0534
AUD/USD	0.7532	0.0011
AUD/EUR	0.6211	-0.0019
EUR/USD	1.2126	0.0054
USD/CNH	7.1227	0.0730
GBP/USD	1.3282	0.0017
EUR/GBP	0.9130	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.26%	0.02%
2 year swap	0.26%	0.09%
10 year Govt	0.89%	0.99%

## 'Big Tech' getting it in the neck

Firstly, US Federal Trade Commission and a coalition of states have filed lawsuits against Facebook saying it used a 'buy or bury' strategy to snap up rivals and keep smaller competitors at bay. If successful, Facebook could potentially be broken up. This was then followed by the EU announcement that they are drafting regulations that 'Big Tech' will need to improve the policing of its platforms or they could face fines of up to 6.0% of annual turnover.

The ECB's quarterly economic update highlighted the fragile state of the

Eurozone recovery with inflation projections for 2021 and 2022 revised down to 0.2% and 1.1% from 0.3% and 1.3%, while GDP is forecast to expand by just 3.9% in 2021, compared to the 5.0% predicted in September.

The ECB maintained interest rates at current levels, with the main refinancing rate at 0.0% and the deposit rate at -0.5%, and increased the Pandemic Emergency Purchase Programme by another EUR500 billion to EUR1.85 trillion. Policymakers also approved further cheap, long-term loans for another year until June 2022, and announced four additional pandemic longer-term refinancing operations to be offered in 2021. EUR/USD climbed 0.4% to 1.2125.

In the UK, Prime Minister 'BoJo' (Boris Johnson) announced "*the Brexit trade deal on the table is not right for the UK. It's more likely there will be no-deal, (rather) than a deal. Prepare for a no EU trade deal.*" This was supported by EU President, Ursula Von Der Leyen, who said, "*we remain far apart.*" GBP/USD fell 0.9% to 1.3285.

In the US, inflation forecasters got it wrong again when CPI rose just 0.19% on the month against the 0.9% forecast, while initial claims hit a two and a half month high at 853,000. Meanwhile, a lawsuit has been filed with the US Supreme Court, by the Texas Attorney General, alleging that election officials in

the four states made protocol changes that were contrary to election laws set by the state legislatures and are in violation of the US Constitution. This is supported by a further 17 states, and if this suit is successful, it could effectively reverse President-elect Joe Biden's victory.

## Forget 'Big Tech' – get into commodities

So, what did all of this mean for markets? Well, commodities are running hot after Chinese iron ore import prices hit a fresh 7-year high at USD151, having gained almost 50.0% since the start of November, while Copper prices are at USD7723, an 8 year high having essentially gone straight up since March. In amongst this, equity bourses are flat although bond yields fell with the US 10-year yielding 0.92% and the UK gilt off 5 bps to 0.22%. Once again, the USD index has taken it in the neck, which saw NZD/USD jump to 0.7090, with AUD/USD at 0.7530, which forced the NZD/AUD down to 0.9410.

AirBnB shares are trading at USD146 per share, a gain of 114.7% on its IPO price.

The US House passed a one-week stopgap funding bill extending federal funding until 18 December. It will now go to the Senate.



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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	74.37					CAD	0.9028	0.9593
NZD/USD	0.7088	0.0001	0.0002	0.0002	0.0003	CHF	0.6293	0.6687
NZD/AUD	0.9411	-0.0003	-0.0006	-0.0010	-0.0017	CNY	4.6386	4.9289
NZD/JPY	73.92	-0.05	-0.09	-0.17	-0.35	DKK	4.3513	4.6236
NZD/EUR	0.5846	-0.0005	-0.0012	-0.0024	-0.0048	FJD	1.4625	1.5540
NZD/GBP	0.5337	-0.0002	-0.0003	-0.0005	-0.0010	HKD	5.4946	5.8385
						KRW	771.49	819.78
AU TWI	61.90					MYR	2.8563	3.0351
AUD/USD	0.7532	0.0004	0.0007	0.0011	0.0017	NOK	6.2199	6.6092
AUD/NZD	1.0626	0.0003	0.0006	0.0012	0.0019	SEK	5.9850	6.3596
AUD/JPY	78.54	-0.03	-0.05	-0.10	-0.23	SGD	0.9474	1.0066
AUD/EUR	0.6211	-0.0004	-0.0009	-0.0019	-0.0040	TWD	20.01	21.26
AUD/GBP	0.5671	0.0000	0.0000	0.0001	-0.0001	ZAR	10.6443	11.3105
USD Index	90.87							
EUR/USD	1.2126	0.0014	0.0029	0.0054	0.0106	<b>EQUITIES</b>		
USD/JPY	104.29	-0.09	-0.16	-0.28	-0.54			<b>Index</b>
GBP/USD	1.3282	0.0008	0.0012	0.0017	0.0030	NZX50		12,860
EUR/GBP	0.9130	0.0005	0.0014	0.0029	0.0058	ASX200		6,683
						Dow Jones		29,973
						S&P 500		3,668
						FTSE100		6,600
						DAX 30		13,296
						Nikkei		26,756
						<b>COMMODITIES</b>		
								<b>USD</b>
						Dubai Light		48.38
						Brent Crude		50.54
						Gold		1,833.28
						Silver		23.94
						CRB Index		171.73

  

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	0.28%	0.24%	0.04%	0.00%
FRA 90d in 3mths	0.26%	0.23%	0.06%	0.01%
FRA 180d in 6mths	0.28%	0.25%	0.08%	0.04%
1 year swap*	0.27%	0.23%	0.04%	0.04%
2 year swap*	0.27%	0.25%	0.10%	0.08%
3 year swap*	0.31%	0.29%	0.16%	0.15%
5 year swap*	0.47%	0.44%	0.39%	0.38%
10 year swap*	0.93%	0.90%	0.98%	0.97%
10 year Govt bond		0.88%		0.99%

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

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