

Market Alert

Monday 14 December 2020

CURRENCIES	Spot	6mths
NZD/USD	0.7092	0.0003
NZD/AUD	0.9394	-0.0011
NZD/JPY	73.79	-0.17
NZD/EUR	0.5850	-0.0024
NZD/GBP	0.5306	-0.0005
NZD/CNH	4.6365	0.0551
AUD/USD	0.7549	0.0011
AUD/EUR	0.6227	-0.0018
EUR/USD	1.2123	0.0054
USD/CNH	7.1227	0.0751
GBP/USD	1.3368	0.0019
EUR/GBP	0.9069	0.0028

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	0.88%	0.99%

When is a deadline not a deadline?

When it involves Brexit negotiations!

Following a phone call on Sunday, UK Prime Minister, Boris Johnson, and EU President, Ursula von der Leyen, agreed to continue working on a post-Brexit trade agreement saying “*despite the exhaustion after almost a year of negotiations*” they would “*go the extra mile.*”

Without a deal, post the 31st December deadline, the UK will fall out of the EU single market and will be forced to trade on World Trade Organisation terms, with tariffs, higher costs for business and

consumers, not to mention increased disruption at international borders.

By all accounts, there are two main issues outstanding – EU fishing boats rights to U.K. waters, and how to ensure a level competitive playing field for businesses – in particular, the UK’s obligations to future changes in the EU’s environmental, social, and/or labour standards.

It would seem these talks have ‘gone past the final whistle’ and we are now in overtime.

Friday night saw financial markets trade to the downside with most indices in the red, although they were down less than 1.0%. Commodities were broadly flat, while the NZD/USD is at 0.7090 and the AUD/USD cemented its gains to be the strongest performing currency for the week at 0.7550, which naturally saw the NZD/AUD ease to 0.9405. International bond markets had a slight bid-tone, which saw yields ease to 0.90% for the 10 year US treasury bond, while the German bund eased to -0.64%.

Interestingly, the Eurozone’s main bourse, the Euro’s Stoxx 50, which posted its first weekly decline since the end of October, saw put/call ratios spike this month suggesting increased demand for downside protection. To be fair, given that Germany is moving closer to a hard lockdown, Switzerland has imposed a new COVID curfew, and Italy, France, and the UK have all reported hundreds of new COVID deaths, downside protection

from the ‘irrational exuberance’ of equity market does make a lot of sense.

It’s all about the CBs

This week it’s all about the central banks, but, with monetary policy essentially on the sidelines as fiscal policies dictate the stimulus to the global economic recovery, the question should be asked, are central bank meetings still relevant?

The answer has to remain a resounding ‘yes!’ Sure, all policy amendments and changes are ‘leaked’ to the market in advance, as per this month’s meetings by the RBA and ECB, but financial market participants still like to listen to the Q&A sessions for fresh guidance and direction.

This week we have, in NZ and AU time, the Federal Reserve on Thursday, where the focus will be on whether the Fed extends the duration of purchases of their QE programme, while the BoE on Friday should provide some clarity to the risks of a no-deal Brexit and the subsequent implications for negative rates. We also have meetings from the Norges (Norway) Bank, SNB and BoJ to round out the week.

In NZ we also have Q3 GDP, but let’s be honest, it’s so far behind us we’re more concerned about what Q4 2020 and Q1 2021 will look like, both of which have been forecast to be negative by the RBNZ, but thus putting the country back into a recession.



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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	74.32					CAD	0.9047	0.9630
NZD/USD	0.7092	0.0002	0.0003	0.0003	0.0002	CHF	0.6310	0.6717
NZD/AUD	0.9394	-0.0004	-0.0006	-0.0011	-0.0018	CNY	4.6396	4.9388
NZD/JPY	73.79	-0.05	-0.09	-0.17	-0.36	DKK	4.3535	4.6343
NZD/EUR	0.5850	-0.0005	-0.0012	-0.0024	-0.0049	FJD	1.4591	1.5532
NZD/GBP	0.5306	-0.0002	-0.0003	-0.0005	-0.0011	HKD	5.4968	5.8514
						KRW	773.80	823.72
AU TWI	62.60					MYR	2.8704	3.0556
AUD/USD	0.7549	0.0005	0.0008	0.0011	0.0017	NOK	6.2377	6.6401
AUD/NZD	1.0645	0.0004	0.0007	0.0012	0.0021	SEK	5.9818	6.3676
AUD/JPY	78.54	-0.02	-0.04	-0.09	-0.23	SGD	0.9480	1.0092
AUD/EUR	0.6227	-0.0003	-0.0009	-0.0018	-0.0040	TWD	19.97	21.26
AUD/GBP	0.5647	0.0000	0.0001	0.0001	-0.0001	ZAR	10.7349	11.4273
USD Index	90.98							
EUR/USD	1.2123	0.0014	0.0030	0.0054	0.0106	EQUITIES		
USD/JPY	104.04	-0.09	-0.16	-0.28	-0.53			Index
GBP/USD	1.3368	0.0008	0.0012	0.0019	0.0032	NZX50		12,919
EUR/GBP	0.9069	0.0005	0.0014	0.0028	0.0057	ASX200		6,643
						Dow Jones		30,046
						S&P 500		3,663
						FTSE100		6,547
						DAX 30		13,114
						Nikkei		26,653
						COMMODITIES		
								USD
						Dubai Light		49.40
						Brent Crude		49.97
						Gold		1,838.89
						Silver		23.92
						CRB Index		171.33

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	0.27%	0.24%	0.05%	0.00%
FRA 180d in 6mths	0.28%	0.25%	0.07%	0.03%
1 year swap*	0.26%	0.23%	0.04%	0.03%
2 year swap*	0.27%	0.24%	0.09%	0.08%
3 year swap*	0.31%	0.29%	0.16%	0.15%
5 year swap*	0.46%	0.43%	0.39%	0.37%
10 year swap*	0.91%	0.89%	0.95%	0.92%
10 year Govt bond		0.86%		0.99%

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

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