

# Market Alert

Wednesday 16 December 2020

CURRENCIES	Spot	6mths
NZD/USD	0.7091	0.0003
NZD/AUD	0.9383	-0.0009
NZD/JPY	73.55	-0.16
NZD/EUR	0.5835	-0.0023
NZD/GBP	0.5282	-0.0005
NZD/CNH	4.6227	0.0525
AUD/USD	0.7558	0.0010
AUD/EUR	0.6219	-0.0019
EUR/USD	1.2153	0.0054
USD/CNH	7.1227	0.0715
GBP/USD	1.3426	0.0017
EUR/GBP	0.9052	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.25%	0.02%
2 year swap	0.26%	0.09%
10 year Govt	0.87%	0.96%

## Vaccine gets the green light

US regulators have declared that Moderna's vaccine is safe and effective for preventing Covid-19 in people ages 18 and older.

The FDA got a much deeper look at Moderna's clinical-trial data than the numbers previously released to the public by the company.

The agency found the shot was similarly effective across racial and ethnic groups and those with underlying medical conditions. It was 86.4% effective in people age 65 and over, according to the report, and 95.6% effective in those 18 to 65.

The RBA's December minutes gave us more of the same rhetoric; that the global outlook still remains uncertain as economies in the Northern Hemisphere go back into lockdown and infection rates rise. However, vaccine news has been positive, and will support the recovery. It noted that recent local data had generally been better than expected. Consumer spending had risen as restrictions were eased, business and consumer confidence had lifted and housing markets had generally proved resilient. Lots of 'general' statements in there but overall the outlook is positive.

Australian Prime Minister, Scott Morrison (aka ScoMo), said that a Chinese ban on Australian coal imports would breach WTO rules. More than 50 vessels carrying Australian coal have been stranded off China after ports were verbally told in October not to offload such shipments. If that proved to be correct, such a ban would also breach the free-trade agreement that China and Australia signed in 2015.

ScoMo said "it would be a bad outcome for the trading relationship," adding the conflation of political and trade issues could "create a lot of uncertainty for many other trading partners"

Speaking of China, the economic powerhouse pulled further ahead of other major economies in November as industrial output and retail sales strengthened, reinforcing expectations of healthy, or at least no terrible, growth

in 2021. Industrial production rose 7.0% in the November year, while retail sales expanded 5.0% over the same time.

Fixed-asset investment grew 2.6% in the first 11 months of the year from the same period in 2019.

## SOFR is the new guy in town

HSBC made its first corporate loan in Hong Kong linked to the alternative benchmark USD Secured Overnight Financing Rate (SOFR), as the financial centre catches up with rival Singapore in the move away from LIBOR as a reference point for interest rates. While some banks in Asia have begun pricing deals on the new benchmarks, some of which could see a full roll-out as soon as early 2021, progress across the region has been patchy.

Meanwhile it was risk on for financial markets overnight as Wall Street is growing increasingly confident that Democratic and Republican lawmakers will clinch a bill based on a bipartisan USD748 billion stimulus proposal.

House Speaker, Nancy Pelosi, asked Senate Majority Leader, Mitch McConnell, to meet today. Stimulus hopes and vaccine developments saw US and European equities rally 1-2.0% overnight while Treasuries retreated. The USD weakened which saw the NZD/USD climb to back around 0.7090 and the AUD/USD at 0.7550.



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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	74.24					CAD	0.9006	0.9598	
NZD/USD	0.7091	0.0002	0.0003	0.0003	0.0002	CHF	0.6283	0.6696	
NZD/AUD	0.9383	-0.0002	-0.0005	-0.0009	-0.0016	CNY	4.6370	4.9419	
NZD/JPY	73.55	-0.04	-0.08	-0.16	-0.35	DKK	4.3422	4.6277	
NZD/EUR	0.5835	-0.0005	-0.0012	-0.0023	-0.0048	FJD	1.4551	1.5508	
NZD/GBP	0.5282	-0.0002	-0.0002	-0.0005	-0.0009	HKD	5.4965	5.8579	
						KRW	773.08	823.91	
AU TWI	62.20					MYR	2.8666	3.0551	
AUD/USD	0.7558	0.0004	0.0007	0.0010	0.0016	NOK	6.1826	6.5891	
AUD/NZD	1.0658	0.0003	0.0005	0.0011	0.0018	SEK	5.9431	6.3338	
AUD/JPY	78.39	-0.02	-0.04	-0.09	-0.23	SGD	0.9448	1.0069	
AUD/EUR	0.6219	-0.0004	-0.0009	-0.0019	-0.0040	TWD	19.95	21.26	
AUD/GBP	0.5629	0.0000	0.0000	0.0001	0.0000	ZAR	10.5679	11.2628	
USD Index	90.53								
EUR/USD	1.2153	0.0014	0.0029	0.0054	0.0105	<b>EQUITIES</b>			
USD/JPY	103.73	-0.08	-0.15	-0.27	-0.52			<b>Index</b>	
GBP/USD	1.3426	0.0007	0.0011	0.0017	0.0027	NZX50		12,767	
EUR/GBP	0.9052	0.0005	0.0014	0.0029	0.0060	ASX200		6,631	
<b>INTEREST RATES</b>							Dow Jones		30,231
		<b>New Zealand</b>		<b>Australia</b>		S&P 500		3,690	
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>	FTSE100		6,513	
30 day bank bills		0.28%	0.24%	0.02%	0.02%	DAX 30		13,363	
90 day bank bills		0.27%	0.23%	0.04%	0.00%	Nikkei		26,688	
FRA 90d in 3mths		0.29%	0.26%	0.05%	0.00%	<b>COMMODITIES</b>			
FRA 180d in 6mths		0.26%	0.24%	0.08%	0.04%			<b>USD</b>	
1 year swap*		0.27%	0.25%	0.04%	0.04%	Dubai Light		49.78	
2 year swap*		0.27%	0.25%	0.09%	0.09%	Brent Crude		50.54	
3 year swap*		0.31%	0.29%	0.16%	0.16%	Gold		1,852.44	
5 year swap*		0.45%	0.43%	0.40%	0.39%	Silver		24.50	
10 year swap*		0.91%	0.89%	1.00%	0.98%	CRB Index		172.94	
10 year Govt bond			0.85%		0.96%				

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

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