

Market Alert

Friday 18 December 2020

CURRENCIES	Spot	6mths
NZD/USD	0.7151	0.0002
NZD/AUD	0.9380	-0.0012
NZD/JPY	73.71	-0.17
NZD/EUR	0.5830	-0.0025
NZD/GBP	0.5254	-0.0006
NZD/CNH	4.6576	0.0549
AUD/USD	0.7623	0.0012
AUD/EUR	0.6215	-0.0019
EUR/USD	1.2265	0.0057
USD/CNH	7.1227	0.0749
GBP/USD	1.3610	0.0019
EUR/GBP	0.9012	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.26%	0.02%
2 year swap	0.30%	0.11%
10 year Govt	0.94%	0.99%

This NZD is on fire

The NZD is on fire after Q3 GDP posted an impressive +14.0% quarterly increase, well ahead of the forecast +12.9%. On an annualised basis, it printed in positive territory at +0.4% when a 1.8% contraction was forecast. Well done everybody! And the NZ finance minister probably summed it up best when he said the “NZD gains reflect the strength of the local economy!” If you can’t fight it, you’ve just got to accept it!

And the good news keeps coming after Auntie Jacinda announced plans to vaccinate the entire population against

COVID in 2H, 2021. Immunisation will begin with border workers and essential staff in Q2, followed by the general population in 2H with free vaccines. That job as leader of the UN is getting closer every day!

Australia is also on fire with the November jobs report showing employment jumped +90,000, way above the expected +40,000, while the unemployment rate fell to 6.8% which was below the forecast 7.0%. We also had the Australian mid-year Economic and Fiscal Outlook, which forecast GDP rising to 4.5% in 2021, the budget deficit to be just under AUD198 billion for 2020/21, and for the unemployment rate to peak at 7.5% in Q1 2021. As Australian Treasurer, Josh Frydenberg, said “the economy is rebounding strongly.”

The BoE voted unanimously to leave its cash rate at the current record low of 0.1% and the size of its QE program at GBP875 billion as policymakers took a wait-and-see approach amid uncertainty surrounding Brexit and COVID. Officials also pledged to take supportive action to achieve its 2.0% inflation target while sustaining growth and employment. In the UK, inflation is expected to rise sharply in the spring as the VAT cut comes to an end and the large fall in energy prices from earlier this year drops out. This, combined with the optimistic news that Brexit negotiations are continuing, and that BoJo and von der Leyen are due to hold a

call later this morning, saw GBP/USD rally to 1.3600.

And with US Senator Schumer stating, “we are very close to an agreement, but details matter,” and Mitch McConnell adding, “we’re going to stay right here until we are finished” there is hope the USD900 billion virus relief package will soon pass.

Markets were mildly positive overnight with US and European markets broadly up 0.5%. Bond markets have also been quiet, with the US 10-year at 0.93%, although the strong NZ and AU data has seen the NZD/USD rally to 0.7150 and the AUD/USD to 0.7625. NZD/AUD is at 0.9375.

In other US news, the number of Americans filing for unemployment benefits increased to 885,000, its highest level since early September and well above market expectations of 800,000. US Trade Representative, Robert Lighthizer, urged President Biden to not ease trade tariffs on China.

How to talk your own book

Guggenheim Global Chief Investment Officer, Scott Miner, suggested the ‘true fundamental valuation’ of Bitcoin is USD400,000 ... a 20000x increase! Mind you, after it cracked the USD20,000 level yesterday, it’s now at USD23,500!

Robinhood has paid USD65 million to settle SEC claims it mishandled trades.

Today’s “Market Alert” is the last for 2020, and it will resume on 18 January 2021.
The contact phone number for this office during Christmas New Year period is 09 912-7600.



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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	74.55					CAD	0.9103	0.9705
NZD/USD	0.7151	0.0001	0.0002	0.0002	0.0001	CHF	0.6326	0.6744
NZD/AUD	0.9380	-0.0004	-0.0007	-0.0012	-0.0020	CNY	4.6718	4.9805
NZD/JPY	73.71	-0.05	-0.09	-0.17	-0.37	DKK	4.3376	4.6243
NZD/EUR	0.5830	-0.0007	-0.0014	-0.0025	-0.0050	FJD	1.4610	1.5576
NZD/GBP	0.5254	-0.0003	-0.0004	-0.0006	-0.0010	HKD	5.5432	5.9096
						KRW	782.19	833.90
AU TWI	62.60					MYR	2.8872	3.0780
AUD/USD	0.7623	0.0005	0.0008	0.0012	0.0017	NOK	6.1197	6.5241
AUD/NZD	1.0661	0.0005	0.0008	0.0013	0.0023	SEK	5.9148	6.3057
AUD/JPY	78.59	-0.02	-0.04	-0.09	-0.23	SGD	0.9478	1.0104
AUD/EUR	0.6215	-0.0004	-0.0010	-0.0019	-0.0040	TWD	20.12	21.45
AUD/GBP	0.5601	0.0000	0.0000	0.0001	0.0001	ZAR	10.4819	11.1747
USD Index	89.75							
EUR/USD	1.2265	0.0016	0.0032	0.0057	0.0107	EQUITIES		
USD/JPY	103.09	-0.09	-0.16	-0.27	-0.53			Index
GBP/USD	1.3610	0.0009	0.0013	0.0019	0.0029	NZX50		12,889
EUR/GBP	0.9012	0.0006	0.0015	0.0029	0.0060	ASX200		6,757
						Dow Jones		30,262
						S&P 500		3,718
						FTSE100		6,551
						DAX 30		13,667
						Nikkei		26,807
						COMMODITIES		
								USD
						Dubai Light		51.24
						Brent Crude		51.28
						Gold		1,884.43
						Silver		25.95
						CRB Index		175.49

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%	-0.01%
FRA 90d in 3mths	0.28%	0.25%	0.05%	0.00%
FRA 180d in 6mths	0.28%	0.25%	0.07%	0.03%
1 year swap*	0.28%	0.26%	0.04%	0.03%
2 year swap*	0.31%	0.29%	0.12%	0.11%
3 year swap*	0.36%	0.33%	0.19%	0.18%
5 year swap*	0.52%	0.50%	0.42%	0.41%
10 year swap*	1.00%	0.97%	1.00%	0.98%
10 year Govt bond		0.92%		0.99%

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

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