

Market Alert

Wednesday 2 December 2020

CURRENCIES	Spot	6mths
NZD/USD	0.7062	0.0001
NZD/AUD	0.9584	-0.0011
NZD/JPY	73.71	-0.19
NZD/EUR	0.5863	-0.0025
NZD/GBP	0.5259	-0.0006
NZD/CNH	4.6272	0.0623
AUD/USD	0.7368	0.0010
AUD/EUR	0.6117	-0.0019
EUR/USD	1.2045	0.0054
USD/CNH	7.1227	0.0873
GBP/USD	1.3428	0.0017
EUR/GBP	0.8970	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.25%	0.02%
2 year swap	0.25%	0.08%
10 year Govt	0.84%	0.92%

Fly me to the moon

China's lunar mission made a successful touchdown on the moon. Let the drilling begin!

But in the real world, the RBA took the excitement levels down a touch following on from its November meeting, maintaining its cash rate, 3 year yield target, and QE programmes at current settings. There were a few comments, although nothing outrageous, as it noted that *"infection rates have risen sharply in Europe and the United States, and the recoveries in these economies have lost momentum,"* although the *"positive*

news on the vaccine front, should support the recovery of the global economy."

Domestically, *"the economic recovery is underway, (but the) recovery is still expected to be uneven and drawn out."*

Finally, in what is becoming a global cry from Central Banks, *"addressing high unemployment is a national priority."*

This was backed up by the Australian data which showed improvements across the board. Monthly building approvals jumped 3.8% for the month of October, against an expected -3.0% contraction, the Q3 current account balance of payments showed a stellar AUD10 billion surplus, which was better than the forecast AUD7.1 billion. Housing data highlighted city prices were up +0.7% on the month and +2.4% on the year, while regional prices were up +1.4% for the month of November.

Not to be outdone, the latest Fonterra GDT auction results posted a solid +4.3% rise, with whole milk powder prices up 5.0% to USD3,182.

Fed Chair, Jerome Powell, and US Treasury Secretary, Steven Mnuchin, testified to a Senate Banking Committee hearing where they offered differing views on the US recovery. Powell pointed to the ongoing uncertainty over the vaccine speed and distribution, the economic dangers of a surge in virus cases, and the grim reality that many remain out of work. Mnuchin painted a sunnier image of the economic recovery,

emphasising state and local lockdowns as the main threat to growth.

On a positive note, a bipartisan group of US lawmakers unveiled a USD908 billion COVID-19 relief bill aimed at breaking a deadlock between Democrats and Republicans over new emergency assistance for small businesses and other industries.

All of this positive news saw a return to the trend – meaning equities were up and the US dollar index was down. While US equities were up 1.0-2.0%, the big news was that EUR/USD cracked the 1.20 level and is currently trading at 1.2050. This supported the NZD and AUD which are respectively at 0.7060 and 0.7365 against the USD, while bond yields also surged with the US 10 year up 10 pips to 0.94%.

Let me play among the stars

The FT has reported that Huachen Automotive Group, a local Chinese SOE, has been caught up in the recent wave of Chinese defaults owing almost 70 Chinese and foreign banks, CNY33.5 billion, or USD5.1 billion. And it's perhaps not too surprising that the PBoC Governor, Yi Gang, has just released a paper stating there should be a separation between the government finances and those of the central bank to avoid debt monetisation, and, that the central bank balance sheet should not bear the credit risk of enterprise lending.



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Daily Rates

Wednesday 2 December 2020

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.59					CAD	0.9141	0.9537
NZD/USD	0.7062	0.0001	0.0001	0.0001	0.0002	CHF	0.6361	0.6637
NZD/AUD	0.9584	-0.0003	-0.0006	-0.0011	-0.0018	CNY	4.6408	4.8422
NZD/JPY	73.71	-0.06	-0.11	-0.19	-0.38	DKK	4.3643	4.5537
NZD/EUR	0.5863	-0.0006	-0.0014	-0.0025	-0.0049	FJD	1.4627	1.5262
NZD/GBP	0.5259	-0.0003	-0.0004	-0.0006	-0.0010	HKD	5.4737	5.7112
						KRW	781.19	815.10
AU TWI	61.30					MYR	2.8722	2.9968
AUD/USD	0.7368	0.0003	0.0006	0.0010	0.0015	NOK	6.2258	6.4960
AUD/NZD	1.0434	0.0003	0.0007	0.0012	0.0019	SEK	6.0007	6.2612
AUD/JPY	76.91	-0.04	-0.06	-0.11	-0.25	SGD	0.9445	0.9854
AUD/EUR	0.6117	-0.0005	-0.0010	-0.0019	-0.0040	TWD	20.16	21.03
AUD/GBP	0.5487	-0.0001	-0.0001	0.0000	0.0000	ZAR	10.7660	11.2333
USD Index	91.31							
EUR/USD	1.2045	0.0014	0.0029	0.0054	0.0104	EQUITIES		
USD/JPY	104.39	-0.09	-0.17	-0.29	-0.56			Index
GBP/USD	1.3428	0.0008	0.0012	0.0017	0.0028	NZX50		12,730
EUR/GBP	0.8970	0.0005	0.0014	0.0029	0.0059	ASX200		6,589
						Dow Jones		29,925
						S&P 500		3,673
						FTSE100		6,385
						DAX 30		13,382
						Nikkei		26,788
						COMMODITIES		
								USD
						Dubai Light		47.06
						Brent Crude		47.25
						Gold		1,814.00
						Silver		23.96
						CRB Index		168.62

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.29%	0.25%	0.02%	0.02%
90 day bank bills	0.27%	0.23%	0.04%	0.00%
FRA 90d in 3mths	0.25%	0.22%	0.05%	-0.01%
FRA 180d in 6mths	0.26%	0.23%	0.07%	0.03%
1 year swap*	0.25%	0.22%	0.05%	0.02%
2 year swap*	0.26%	0.24%	0.09%	0.07%
3 year swap*	0.30%	0.27%	0.15%	0.12%
5 year swap*	0.44%	0.41%	0.37%	0.35%
10 year swap*	0.89%	0.86%	0.96%	0.94%
10 year Govt bond		0.83%		0.92%

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

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