

Market Alert

Thursday 3 December 2020

CURRENCIES	Spot	6mths
NZD/USD	0.7053	0.0001
NZD/AUD	0.9537	-0.0010
NZD/JPY	73.70	-0.19
NZD/EUR	0.5833	-0.0025
NZD/GBP	0.5281	-0.0006
NZD/CNH	4.6172	0.0626
AUD/USD	0.7395	0.0010
AUD/EUR	0.6115	-0.0019
EUR/USD	1.2093	0.0054
USD/CNH	7.1227	0.0876
GBP/USD	1.3357	0.0017
EUR/GBP	0.9053	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.25%	0.02%
2 year swap	0.26%	0.08%
10 year Govt	0.91%	0.98%

A lot of talk

Ahead of Friday's non-farm payrolls, US private businesses hired just 307,000 workers in November, way below October's 404k and market forecasts of 410,000. It is the smallest increase in four months.

While the data wasn't great, there was little 'action' in equity markets as European and US equities traded in the 0.0-1.0% range. Currencies remain flat with the NZD/USD at 0.7055 and the AUD/USD at 0.7400, although commodities were mildly positive as oil continued its recent rally to be up 2.0%.

Bond yields also continued to climb as the US 10-year hit 0.955% and the German bund hit -0.52%.

Fed Chair, Jerome Powell, in his second day of testimony, forecasted the "middle of next year may be light at the end of the tunnel," although he warned "we don't want the balance sheet in the long run to be bigger than needed" as "the time will come to pull back carefully and slowly, but that's well into the future."

Ex-Fed Chair, and soon to be confirmed US Secretary of the Treasury, Janet Yellen, was talking to the FT and warned of "more devastation in the economy if the US fails to address the fallout from the pandemic," as it is taking a "disproportionate toll on low-income families." It is, "an American tragedy that needs to be quickly tackled."

Mitch McConnell stated, "waiting until next year for COVID relief isn't an answer," although he then rejected the USD900 billion bipartisan COVID relief package. Go figure!

The *New York Times* reports that Biden will initially work to restore international relations with US allies, and he will not immediately remove Chinese trade tariffs.

But very little action

The NZ terms of trade for Q3 was a shocker coming in at -4.7%, which was considerably worse than the

forecast -3.8%. Breaking it down, export prices contracted -8.3% while import prices fell -3.7%.

RBA Governor, Philip Lowe, has an "open mind on extending QE" and "the Bank will own 20.0% of government debt by the end of the bond-buying program." On the unemployment rate, he forecasted that "unemployment is likely to peak somewhere in 7.0%'s but (we) need to get the unemployment rate to 4-point-something to get inflation higher." On China, he said it's "hard to speculate on the relationship with China, (but the) RBA's relationship with PBOC remains constructive."

He should be happy after Australian Q3 GDP printed at +3.3%, which exceeded the +2.5% forecast. This translated to a -3.8% contraction for the year. After the number, Mr Lowe chimed in saying the "Q3 GDP result is good (although) it is plausible that the pandemic has caused lasting damage to the economy and investment." He also added he is "not concerned about a rating downgrade."

The Eurozone's seasonally-adjusted unemployment rate edged down to 8.4% in October, just off July's two-year high of 8.7%. Meanwhile, ECB policymaker, Martins Kazaks, suggested that "forecasts of a EUR500 billion PEPP boost not be very (far) off the mark," and that the "ECB could consider extending TLRTOs from 3 years to 5 years."

Softbank will dial back its option trading 'after investor backlash'.



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Daily Rates

Thursday 3 December 2020

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.41					CAD	0.9122	0.9564
NZD/USD	0.7053	0.0001	0.0001	0.0001	0.0002	CHF	0.6321	0.6628
NZD/AUD	0.9537	-0.0003	-0.0006	-0.0010	-0.0017	CNY	4.6287	4.8534
NZD/JPY	73.70	-0.05	-0.10	-0.19	-0.38	DKK	4.3413	4.5520
NZD/EUR	0.5833	-0.0006	-0.0013	-0.0025	-0.0048	FJD	1.4601	1.5310
NZD/GBP	0.5281	-0.0002	-0.0004	-0.0006	-0.0010	HKD	5.4673	5.7327
						KRW	777.28	815.01
AU TWI	61.20					MYR	2.8765	3.0161
AUD/USD	0.7395	0.0003	0.0006	0.0010	0.0015	NOK	6.2155	6.5172
AUD/NZD	1.0485	0.0003	0.0007	0.0012	0.0019	SEK	5.9817	6.2721
AUD/JPY	77.27	-0.03	-0.06	-0.11	-0.26	SGD	0.9444	0.9902
AUD/EUR	0.6115	-0.0004	-0.0010	-0.0019	-0.0040	TWD	20.12	21.09
AUD/GBP	0.5536	-0.0001	0.0000	0.0000	0.0000	ZAR	10.8368	11.3628
USD Index	91.14							
EUR/USD	1.2093	0.0013	0.0029	0.0054	0.0104	EQUITIES		
USD/JPY	104.50	-0.08	-0.16	-0.29	-0.56	Index		
GBP/USD	1.3357	0.0007	0.0011	0.0017	0.0027	NZX50	12,729	
EUR/GBP	0.9053	0.0005	0.0014	0.0029	0.0059	ASX200	6,590	
						Dow Jones	29,766	
						S&P 500	3,659	
						FTSE100	6,463	
						DAX 30	13,313	
						Nikkei	26,801	
						COMMODITIES		
							USD	
						Dubai Light	46.57	
						Brent Crude	48.36	
						Gold	1,828.13	
						Silver	23.97	
						CRB Index	169.74	

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

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