

Market Alert

Friday 4 December 2020

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.7076 | 0.0001 |
| NZD/AUD | 0.9509 | -0.0010 |
| NZD/JPY | 73.54 | -0.19 |
| NZD/EUR | 0.5829 | -0.0025 |
| NZD/GBP | 0.5256 | -0.0006 |
| NZD/CNH | 4.6230 | 0.0622 |
| AUD/USD | 0.7442 | 0.0009 |
| AUD/EUR | 0.6130 | -0.0019 |
| EUR/USD | 1.2140 | 0.0053 |
| USD/CNH | 7.1227 | 0.0870 |
| GBP/USD | 1.3465 | 0.0016 |
| EUR/GBP | 0.9016 | 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 | 0.90% | 1.02% |

Yazz said it best

New Zealand data continues to surprise to the topside with October building approvals increasing 8.8% on the month and 2.8% on the year. This means 38,000 new homes were consented in the year to October, the highest number since 1974. Now all you need to do is find a builder, plumber and a sparky! Unfortunately, the NZD is starting to weigh on the NZ commodity price index, with November prices gaining 0.9% on the month, down from the previous month's 1.9% increase.

In a similar vein, Australian PMI maintained its strong performance with

construction rising to 55.3 from 52.7, services were stronger at 55.4 from 53.7, while the composite (manufacturing) index was basically flat at 54.9 compared to its previous 54.7. We also had the Australian trade balance confirmed for October at AUD7.5 billion, which was way ahead of the expected AUD5.8 billion surplus.

Slightly contradicting yesterday's private hiring numbers, US initial claims dropped to 712,000. This was well below the previous week's 787,000.

Could the US finally be close to a stimulus deal? Working through the latest numbers, McConnell is at USD500 billion, the bipartisan deal was at USD908 billion, and Nancy Pelosi has offered a stimulus package worth USD1.3 trillion. From top-to-bottom, we're only USD800 billion apart –that's pocket change these days!

The only way is up, baby

And extra stimulus is always good for equity markets, which saw most bourses gain 0.0-1.0%. Interestingly, the emerging market currency index has just broken up through a long-term trend line signalling further gains, which could generate further USD weakness.

As a rule, when emerging markets recover from economic slowdowns, we tend to see the USD weaken, which further supports our cyclical weak USD bias.

This has seen the NZD/USD and AUD/USD trend higher at 0.7080 and 0.7445 respectively, while the NZD/AUD has eased to 0.9510. Bond yields are a touch lower, with the US 10 year at 0.92%, while commodities are also a touch firmer with copper holding its recent gains to be at an 8 year high and oil gaining after OPEC+ confirmed they would taper 500 thousand barrels per day from January.

With the US House of Representatives and Senate approving the 'China delisting bill', it's now off to the White House for President Trump to sign into law. There will be a lot of 'noise' with this, but we're struggling to see any real change as the majority of US listed Chinese companies are already audited by the big four US accounting firms.

In other US news, the Senate voted to confirm Christopher Waller to the Federal Reserve board while Ivanka Trump, the President's daughter and adviser, sat for a deposition with investigators from the Washington attorney general's office as part of its lawsuit alleging the misuse of inaugural funds. Time to get the 'family pardon' signed Donald!

Deutsche Bank forecast that China's economy will grow 9.5% in 2021.

China has announced it is ready to accept 4 ships of thermal coal from Australia, although there are currently more than 70 sitting offshore waiting to unload!



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Daily Rates

Friday 4 December 2020

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------|--------|------------|---------|---------|---------|--------------------|------------|---------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 74.37 | | | | | CAD | 0.9100 | 0.9569 |
| NZD/USD | 0.7076 | 0.0001 | 0.0001 | 0.0001 | 0.0001 | CHF | 0.6313 | 0.6638 |
| NZD/AUD | 0.9509 | -0.0002 | -0.0006 | -0.0010 | -0.0017 | CNY | 4.6299 | 4.8689 |
| NZD/JPY | 73.54 | -0.05 | -0.10 | -0.19 | -0.37 | DKK | 4.3388 | 4.5628 |
| NZD/EUR | 0.5829 | -0.0006 | -0.0013 | -0.0025 | -0.0048 | FJD | 1.4607 | 1.5361 |
| NZD/GBP | 0.5256 | -0.0002 | -0.0004 | -0.0006 | -0.0009 | HKD | 5.4847 | 5.7679 |
| | | | | | | KRW | 772.53 | 812.42 |
| AU TWI | 61.50 | | | | | MYR | 2.8784 | 3.0270 |
| AUD/USD | 0.7442 | 0.0003 | 0.0006 | 0.0009 | 0.0015 | NOK | 6.1987 | 6.5188 |
| AUD/NZD | 1.0516 | 0.0003 | 0.0007 | 0.0011 | 0.0019 | SEK | 5.9811 | 6.2899 |
| AUD/JPY | 77.34 | -0.04 | -0.06 | -0.11 | -0.25 | SGD | 0.9441 | 0.9928 |
| AUD/EUR | 0.6130 | -0.0004 | -0.0010 | -0.0019 | -0.0040 | TWD | 20.07 | 21.11 |
| AUD/GBP | 0.5527 | -0.0001 | 0.0000 | 0.0000 | 0.0000 | ZAR | 10.7250 | 11.2787 |
| USD Index | 90.72 | | | | | | | |
| EUR/USD | 1.2140 | 0.0013 | 0.0029 | 0.0053 | 0.0104 | EQUITIES | | |
| USD/JPY | 103.93 | -0.08 | -0.16 | -0.28 | -0.55 | Index | | |
| GBP/USD | 1.3465 | 0.0007 | 0.0011 | 0.0016 | 0.0026 | NZX50 | 12,649 | |
| EUR/GBP | 0.9016 | 0.0005 | 0.0014 | 0.0029 | 0.0059 | ASX200 | 6,615 | |
| | | | | | | Dow Jones | 29,999 | |
| | | | | | | S&P 500 | 3,673 | |
| | | | | | | FTSE100 | 6,490 | |
| | | | | | | DAX 30 | 13,253 | |
| | | | | | | Nikkei | 26,809 | |
| | | | | | | | | |
| | | | | | | COMMODITIES | | |
| | | | | | | | USD | |
| | | | | | | Dubai Light | 47.21 | |
| | | | | | | Brent Crude | 48.83 | |
| | | | | | | Gold | 1,836.55 | |
| | | | | | | Silver | 23.96 | |
| | | | | | | CRB Index | 169.50 | |

| 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% | 0.00% |
| FRA 180d in 6mths | 0.27% | 0.24% | 0.07% | 0.03% |
| 1 year swap* | 0.26% | 0.23% | 0.05% | 0.02% |
| 2 year swap* | 0.28% | 0.25% | 0.08% | 0.07% |
| 3 year swap* | 0.32% | 0.29% | 0.15% | 0.14% |
| 5 year swap* | 0.47% | 0.45% | 0.37% | 0.36% |
| 10 year swap* | 0.93% | 0.91% | 0.98% | 0.97% |
| 10 year Govt bond | | 0.88% | | 1.02% |

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

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