

Market Alert

Monday 7 December 2020

CURRENCIES	Spot	6mths
NZD/USD	0.7050	0.0001
NZD/AUD	0.9494	-0.0010
NZD/JPY	73.42	-0.18
NZD/EUR	0.5816	-0.0025
NZD/GBP	0.5275	-0.0005
NZD/CNH	4.5943	0.0617
AUD/USD	0.7426	0.0009
AUD/EUR	0.6126	-0.0020
EUR/USD	1.2121	0.0054
USD/CNH	7.1227	0.0861
GBP/USD	1.3366	0.0016
EUR/GBP	0.9069	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	0.90%	0.99%

Brexit down to the wire. Again.

It seems neither side is willing to give an inch as another soft deadline came and went over the weekend. And still no Brexit agreement to be had. It does feel a bit like déjà vu, with time running short but this multi-year Brexit process has been characterised by last minute deals and moving goalposts. The only thing both sides seem willing to agree on is that 'no deal is better than a bad deal'.

Negotiations will continue this week, with 31 December being the drop-dead date for having a deal agreed, documented and ratified. Given this tight

timeline, one gets the feeling that if no one budges in the next few days then a deal is not going to happen.

Either way, the new year is likely to be a messy one for UK trade and potentially the GBP. The Bank of England recently warned that the economic cost of a no-Brexit outcome would be bigger in the long term than the damage caused by COVID-19. Unsurprisingly, the NZD/GBP has been in an upward trend of late and has pushed through an eighteen month high towards 0.5300.

Someone is going to be right ...

Billionaire investor, Paul Tudor Jones, forecasts the US economy will see an "absolute supersonic boom" in Q2 and Q3 of 2021 on emergence from the coronavirus disaster. "The vaccine is going to bring us back. We're going to have an incredible growth rebound." Against this, Morgan Stanley announced US stocks are overbought and risks a correction. US interest rate benchmarks are starting to show early signs of optimism, the 10-year Treasury yield looking to close in on 1.00% and inflation index bonds showing concerns of rising inflationary pressures.

US non-farm payrolls data on Friday disappointed, rising by 245,000 versus the 610,000 increase in October. The soft data was a firm reminder that the US economy is clearly in need of further

support, energising talks on a new fiscal stimulus package in Congress. Both sides of the political divide signalled a willingness to compromise on a plan to inject hundreds of billions of dollars into the US economy, rekindling negotiations which stalled during the US election process.

Joe Biden, speaking to CNN, said that while the economic aid bill should be passed, he will ask for more once he's in office. He then added that China must play by international rules and that he will ask Americans to commit to 100 days of wearing masks as one of his first acts as president.

The announcement that Vale will miss this year's iron ore production goals saw the AUD rally on Friday, highlighting China's reliance on Australian key export. China takes almost two-thirds of Australia's iron ore exports, which reached a record AUD13.5 billion in the month of October.

Iron ore prices have surged to USD145 a tonne, the highest level since 2013, and look likely to remain a key support for the AUD. The AUD/USD has been in a strong upwards trend since March and at 0.7430 currently, is at a two and a half year high.



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Daily Rates

Monday 7 December 2020

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.00					CAD	0.9008	0.9488
NZD/USD	0.7050	0.0001	0.0001	0.0001	0.0002	CHF	0.6282	0.6617
NZD/AUD	0.9494	-0.0002	-0.0006	-0.0010	-0.0016	CNY	4.5990	4.8443
NZD/JPY	73.42	-0.05	-0.10	-0.18	-0.36	DKK	4.3301	4.5611
NZD/EUR	0.5816	-0.0006	-0.0013	-0.0025	-0.0048	FJD	1.4506	1.5280
NZD/GBP	0.5275	-0.0002	-0.0004	-0.0005	-0.0009	HKD	5.4638	5.7553
						KRW	763.16	803.88
AU TWI	61.40					MYR	2.8609	3.0135
AUD/USD	0.7426	0.0003	0.0006	0.0009	0.0015	NOK	6.2104	6.5417
AUD/NZD	1.0534	0.0002	0.0006	0.0011	0.0018	SEK	5.9669	6.2852
AUD/JPY	77.32	-0.04	-0.06	-0.11	-0.25	SGD	0.9417	0.9919
AUD/EUR	0.6126	-0.0005	-0.0010	-0.0020	-0.0041	TWD	19.87	20.93
AUD/GBP	0.5556	-0.0001	0.0000	0.0000	0.0000	ZAR	10.7148	11.2864
USD Index	90.70							
EUR/USD	1.2121	0.0013	0.0029	0.0054	0.0105	EQUITIES		
USD/JPY	104.13	-0.08	-0.16	-0.28	-0.54			Index
GBP/USD	1.3366	0.0008	0.0011	0.0016	0.0028	NZX50		12,631
EUR/GBP	0.9069	0.0005	0.0014	0.0029	0.0060	ASX200		6,634
						Dow Jones		30,218
						S&P 500		3,699
						FTSE100		6,550
						DAX 30		13,299
						Nikkei		26,751
						COMMODITIES		
								USD
						Dubai Light		48.66
						Brent Crude		49.25
						Gold		1,838.13
						Silver		24.16
						CRB Index		169.89

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	0.26%	0.23%	0.05%	0.00%
FRA 180d in 6mths	0.28%	0.25%	0.07%	0.03%
1 year swap*	0.25%	0.23%	0.05%	0.02%
2 year swap*	0.27%	0.25%	0.09%	0.08%
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%	1.04%	1.01%
10 year Govt bond		0.89%		0.99%

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

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