

# Market Alert

Tuesday 8 December 2020

CURRENCIES	Spot	6mths
NZD/USD	0.7053	0.0002
NZD/AUD	0.9487	-0.0010
NZD/JPY	73.35	-0.18
NZD/EUR	0.5817	-0.0025
NZD/GBP	0.5285	-0.0006
NZD/CNH	4.5983	0.0617
AUD/USD	0.7434	0.0010
AUD/EUR	0.6131	-0.0020
EUR/USD	1.2125	0.0055
USD/CNH	7.1227	0.0856
GBP/USD	1.3344	0.0018
EUR/GBP	0.9086	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.26%	0.02%
2 year swap	0.26%	0.08%
10 year Govt	0.95%	1.04%

## It's time for some 'irrational exuberance'

Did you know that copper is now up 66% from its March lows, having wiped out all of its losses from the trade war and is now more expensive than it was at the peak of the 'Trump trade'?

And in amongst this irrational exuberance of hard commodity prices, record stimulus, elevated equity prices, and threats of a collapse in Brexit talks, the world keeps chugging along, driven by hopes of a COVID vaccine.

Overnight, commodity and equity markets took time to pause, with indexes

and bourses flat, although gold and silver put in impressive performances, rallying 1.3% and 1.7% respectively.

The NZD/USD and AUD/USD did a 60 point round trip overnight but start today largely unchanged at 0.7050 and 0.7430. The volatile moves are a warning to those setting holiday hedging strategies that things can move fast at this time of year. The 10-year US yield fall 3 basis points to 0.93% — a sign that global optimism is taking a breather.

China's November trade data showed a strong surge in exports, in USD terms, up 21.1% on the year. Conversely, imports were very soft, rising just 4.5%.

With an all-in record trade surplus of USD75.4 billion, against an expected USD53.7 billion surplus, it does underscore the global demand recovery as fiscal and monetary stimulus more than offset lost household income.

## Brexit dance continues

Oh yes, there is a small thing called Brexit that seems to be generating a lot of talk, but little substance. *The Times* had reported that Merkel and Macron had "agreed to weaken EU demands for a so-called level playing field" although talks between UK Prime Minister, Boris Johnson, and the EU's von der Leyen are taking a break and appear to have stalled.

The latest discourse is over pelagic fish. Pelagic fish, as opposed to demersal fish,

are fish that do not live or feed on the seabed, but as they contain up to 30% more oil, they are more valuable. There we go — we've now all learnt something new!

White House Economic advisor, Larry Kudlow, has been talking up the economy, stating the "US economy is much stronger than the last jobs report." I'm not sure how he figured that one out. Reports from the US suggest President Trump is considering holding rally at the same time as President-elect Joe Biden's inauguration.

## State debt levels prompt Australian downgrades

While RBA Governor, Philip Lowe, may not be concerned about the possibility of a ratings down-grade, that is exactly what S&P Global Ratings have done to the states of Victoria and New South Wales. Victoria has been downgraded to AA, from AAA, while New South Wales was cut to AA+, from AAA.

S&P notes Victoria's unusual two notch downgrade is mainly due to the fallout from the state's second wave of COVID infections, which resulted in a substantial and prolonged lockdown. Victoria's Treasurer, Tim Pallas, said last week losing the AAA credit rating would cost the state government up to AUD10 million a year in higher borrowing costs. Moody's last week re-affirmed a AAA credit rating for New South Wales.



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# Daily Rates

Tuesday 8 December 2020

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.13					CAD	0.9029	0.9517
NZD/USD	0.7053	0.0001	0.0002	0.0002	0.0002	CHF	0.6278	0.6617
NZD/AUD	0.9487	-0.0002	-0.0005	-0.0010	-0.0017	CNY	4.6050	4.8540
NZD/JPY	73.35	-0.06	-0.10	-0.18	-0.37	DKK	4.3299	4.5640
NZD/EUR	0.5817	-0.0006	-0.0013	-0.0025	-0.0049	FJD	1.4597	1.5387
NZD/GBP	0.5285	-0.0003	-0.0004	-0.0006	-0.0011	HKD	5.4659	5.7615
						KRW	764.91	806.27
AU TWI	61.50					MYR	2.8574	3.0119
AUD/USD	0.7434	0.0003	0.0006	0.0010	0.0015	NOK	6.1600	6.4930
AUD/NZD	1.0541	0.0002	0.0006	0.0011	0.0019	SEK	5.9205	6.2406
AUD/JPY	77.31	-0.04	-0.06	-0.11	-0.25	SGD	0.9419	0.9928
AUD/EUR	0.6131	-0.0005	-0.0010	-0.0020	-0.0041	TWD	19.93	21.01
AUD/GBP	0.5571	-0.0002	-0.0001	0.0000	-0.0001	ZAR	10.6933	11.2715
USD Index	90.88							
EUR/USD	1.2125	0.0015	0.0030	0.0055	0.0107	<b>EQUITIES</b>		
USD/JPY	104.01	-0.10	-0.17	-0.29	-0.56			<b>Index</b>
GBP/USD	1.3344	0.0009	0.0013	0.0018	0.0031	NZX50		12,656
EUR/GBP	0.9086	0.0005	0.0014	0.0029	0.0059	ASX200		6,675
						Dow Jones		30,013
						S&P 500		3,688
						FTSE100		6,555
						DAX 30		13,271
						Nikkei		26,547
						<b>COMMODITIES</b>		
								<b>USD</b>
						Dubai Light		47.67
						Brent Crude		49.08
						Gold		1,861.91
						Silver		24.59
						CRB Index		169.54

  

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%	0.00%
FRA 90d in 3mths	0.29%	0.21%	0.05%	0.00%
FRA 180d in 6mths	0.28%	0.25%	0.07%	0.03%
1 year swap*	0.26%	0.23%	0.06%	0.02%
2 year swap*	0.28%	0.24%	0.09%	0.07%
3 year swap*	0.33%	0.30%	0.15%	0.14%
5 year swap*	0.49%	0.46%	0.38%	0.37%
10 year swap*	0.98%	0.95%	1.00%	0.98%
10 year Govt bond		0.93%		1.04%

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

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