

Market Alert

Wednesday 9 December 2020

CURRENCIES	Spot	6mths
NZD/USD	0.7046	0.0004
NZD/AUD	0.9512	-0.0010
NZD/JPY	73.38	-0.18
NZD/EUR	0.5821	-0.0024
NZD/GBP	0.5272	-0.0005
NZD/CNH	4.5918	0.0584
AUD/USD	0.7407	0.0012
AUD/EUR	0.6119	-0.0019
EUR/USD	1.2105	0.0057
USD/CNH	7.1227	0.0795
GBP/USD	1.3365	0.0020
EUR/GBP	0.9057	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.27%	0.02%
2 year swap	0.26%	0.08%
10 year Govt	0.93%	1.02%

Market data continues to outperform

Australia had some good data yesterday, continuing its recent trend of outperformance after the Roy Morgan weekly consumer confidence index rallied to 109.3 from its previous 107.5, the November business conditions survey jumped to +9 from +1, and the Australian Q3 house price index increased 4.5% on the year against its 2.2% forecast.

The German ZEW Indicator of Economic Sentiment rose by an impressive 16 points to 55.0 in December 2020, easily beating market expectations of 45.5, on

COVID vaccine hopes. Eurozone GDP grew by 12.5% in Q3 to recover from Q2's record slump of 11.7% to post its steepest pace of expansion since 1995. In a similar move, Japan's economy grew at 22.9% in Q3, above the 21.4% forecast and following on from Q2's 29.2% contraction.

And speaking of Japan, the Government has announced a further round of stimulus which will have an overall value of JPY73.6 trillion, or USD708 billion. Of this number, around JPY40 trillion, or USD380 billion will be used specifically as fiscal stimulus in an attempt to encourage fresh private investment and to keep wages increasing.

Overnight, markets continued to look through short term uncertainties as US sharemarkets hit record highs yet again due to further progression on stimulus talks. A key sentiment indicator for US stocks reached its most bullish level in two decades as the CBOE ratio of volume traded in puts versus calls fell to its lowest level since July 2000, implying extreme positioning to the upside. This could provide further support for the NZD/USD, which has followed the US equity trend since March. The NZD/USD traded flat overnight at 0.7050 while the AUD/USD slipped back to 0.7410 causing the NZD/AUD to creep back above 0.9500. Bond markets were relatively flat with the US 10 year Treasury yield easing back to 0.91%.

While no one is saying that this was the reason the NZD/AUD jumped back above the 0.9500 level, it is interesting to see that the Australian Super fund has launched an NZD5.4 billion bid for local utility investor Infratil ... at a 22% premium to last night's closing price.

Meanwhile, with its stock priced at eye-watering, record levels, Tesla is planning to raise another USD5 billion capital with a further equity sell-down. Elon will be happy!

SPAC – the latest craze

SPACs, or Special Purchase Acquisition Companies, are the latest product to attract cash from investors seeking to ramp up their investment profile. They attract money from investors to buy yet-to-be-identified private companies in roll-up opportunities that avoid lengthier IPOs. Promising lucrative returns, SPACs typically target an 18-24 month period before funds are returned with interest in what is essentially a hunt for the next big unicorn.

SPACs have ballooned to more than 200 this year from fewer than 60, and they have raised almost USD70 billion so far in 2020 ... which begs the question, what could possibly go wrong?

And finally, to prove how healthy the New Zealand banks are at the moment, the RBNZ lent exactly nothing to them during the first round if its FLP.



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.12					CAD	0.9030	0.9494
NZD/USD	0.7046	0.0002	0.0003	0.0004	0.0004	CHF	0.6263	0.6585
NZD/AUD	0.9512	-0.0003	-0.0006	-0.0010	-0.0017	CNY	4.6027	4.8390
NZD/JPY	73.38	-0.06	-0.10	-0.18	-0.36	DKK	4.3321	4.5546
NZD/EUR	0.5821	-0.0006	-0.0013	-0.0024	-0.0049	FJD	1.4580	1.5329
NZD/GBP	0.5272	-0.0003	-0.0003	-0.0005	-0.0010	HKD	5.4609	5.7413
						KRW	765.58	804.89
AU TWI	61.50					MYR	2.8695	3.0169
AUD/USD	0.7407	0.0004	0.0007	0.0012	0.0018	NOK	6.1786	6.4959
AUD/NZD	1.0514	0.0004	0.0006	0.0011	0.0019	SEK	5.9697	6.2762
AUD/JPY	77.15	-0.04	-0.06	-0.10	-0.24	SGD	0.9427	0.9911
AUD/EUR	0.6119	-0.0004	-0.0010	-0.0019	-0.0040	TWD	19.89	20.91
AUD/GBP	0.5542	-0.0001	0.0000	0.0000	0.0000	ZAR	10.5571	11.0993
USD Index	90.95							
EUR/USD	1.2105	0.0016	0.0032	0.0057	0.0109	EQUITIES		
USD/JPY	104.16	-0.11	-0.18	-0.30	-0.57			Index
GBP/USD	1.3365	0.0010	0.0014	0.0020	0.0033	NZX50		12,720
EUR/GBP	0.9057	0.0005	0.0014	0.0029	0.0059	ASX200		6,688
						Dow Jones		30,202
						S&P 500		3,702
						FTSE100		6,559
						DAX 30		13,278
						Nikkei		26,467
						COMMODITIES		
								USD
						Dubai Light		47.81
						Brent Crude		48.80
						Gold		1,872.61
						Silver		24.66
						CRB Index		168.21

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	0.29%	0.25%	0.04%	0.00%
FRA 90d in 3mths	0.26%	0.23%	0.05%	0.00%
FRA 180d in 6mths	0.29%	0.25%	0.07%	0.03%
1 year swap*	0.26%	0.23%	0.06%	0.02%
2 year swap*	0.28%	0.25%	0.09%	0.07%
3 year swap*	0.32%	0.29%	0.14%	0.14%
5 year swap*	0.47%	0.44%	0.37%	0.36%
10 year swap*	0.93%	0.90%	0.97%	0.96%
10 year Govt bond		0.92%		1.02%

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

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