



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Thursday 10 September 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6680	-0.0001
NZD/AUD	0.9174	-0.0006
NZD/JPY	70.92	-0.24
NZD/EUR	0.5658	-0.0026
NZD/GBP	0.5137	-0.0008
NZD/CNH	4.5627	0.0532
AUD/USD	0.7280	0.0004
AUD/EUR	0.6167	-0.0024
EUR/USD	1.1806	0.0052
USD/CNH	7.1227	0.0806
GBP/USD	1.3002	0.0018
EUR/GBP	0.9080	0.0028

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.09%
2 year swap	0.02%	0.13%
10 year Govt	0.56%	0.89%

## The equity rout is over ... for now

After a few weak sessions and a 10% decline in the Nasdaq, equities reverted to a green landscape overnight. European indices rallied 1.5%-2.5%, but the real gains were in the US, where the three main indices clawed back gains of 2.5%-3.5% with, unsurprisingly, tech stocks being the main beneficiaries

Commodities also followed the positive equity trend, while the USD index gave up some of its previous gains forcing the NZD/USD and AUD/USD to rally to 0.6680 and 0.7280. US Treasuries were quiet, with the 10-year yield at 0.70%.

As widely expected, the BoC kept its benchmark interest rate steady at the lower bound of 0.25% and maintained their CAD5 billion per week QE programme.

## NZ data highlights underlying weakness

September preliminary business confidence printed at a modest -26.0.

This is somewhat of an improvement on August's -41.8 headline, although we saw a solid bump in the own activity outlook index, from -17.5 to -9.9, highlighting a gradually improving business outlook. Against this, the Truckometer index for August showed that heavy traffic movements had contracted 6.5% for the month as the Auckland lockdown took its toll. Finally, June quarter manufacturing activity suffered a huge drop, falling 11.9%, while manufacturing volumes fell 12.2%.

It's a slightly different story in Australia after September's consumer confidence index spiked 18.0%, after a 9.5% decline in August. July's housing finance data also had a stonker, after home loans increased 8.9% against an expected increase of 2.0%, as owner-occupied loans jumped 10.7%.

Australian and Chinese relations took a turn for the worst as Beijing accused Canberra of raiding the homes of Chinese state media staff and seizing their electronic devices.

This comes just as the Australian Federal government has emphasised its travel advice for China, saying Australians should not travel and are at risk of arbitrary detention.

Jonathan Jones, the head of the UK government's legal department, has resigned after it was announced that Prime Minister, Boris Johnson, was plotting to illegally break the Brexit treaty with the EU.

There's no 'Breakfast at Tiffany's' this morning after LVMH scrapped its USD16.2 billion purchase of Tiffany & Co.

President Donald Trump has been nominated for a Nobel Peace Prize! Yes, read that sentence again! To be fair, he has been nominated for his work on an Israel-UAE peace deal.

## COVID 2nd, 3rd, and 4th waves

In highlighting the risks in rushing through a vaccine, and we're not looking at you Russia, the AstraZeneca COVID-19 phase 3 trials have been paused after an adverse reaction by a trial participant after they caught "*an inflammatory syndrome that affects the spinal cord and is often sparked by viral infections.*"

As COVID re-asserts itself in the UK, the government has banned social gatherings of more than 6 people and are considering imposing a night-time curfew to slow the spread of the disease.

Meanwhile, a group of international scientists have questioned the results of Russia's 'Sputnik V' COVID vaccine as some of the published findings appear 'improbable'.

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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	72.12					CAD	0.8786 0.9578
NZD/USD	0.6680	0.0000	-0.0001	-0.0001	0.0005	CHF	0.6094 0.6643
NZD/AUD	0.9174	-0.0001	-0.0004	-0.0006	0.0002	CNY	4.5640 4.9751
NZD/JPY	70.92	-0.04	-0.11	-0.24	-0.38	DKK	4.2093 4.5885
NZD/EUR	0.5658	-0.0004	-0.0012	-0.0026	-0.0044	FJD	1.4126 1.5399
NZD/GBP	0.5137	-0.0001	-0.0003	-0.0008	-0.0007	HKD	5.1768 5.6432
						KRW	791.44 862.74
AU TWI	61.80					MYR	2.7649 3.0140
AUD/USD	0.7280	0.0001	0.0002	0.0004	0.0004	NOK	6.0176 6.5597
AUD/NZD	1.0901	0.0002	0.0004	0.0007	-0.0002	SEK	5.8403 6.3664
AUD/JPY	77.30	-0.03	-0.09	-0.21	-0.43	SGD	0.9128 0.9950
AUD/EUR	0.6167	-0.0004	-0.0011	-0.0024	-0.0049	TWD	19.61 21.38
AUD/GBP	0.5599	-0.0001	-0.0001	-0.0005	-0.0009	ZAR	11.1007 12.1008
USD Index	93.21						
EUR/USD	1.1806	0.0009	0.0024	0.0052	0.0102	<b>EQUITIES</b>	
USD/JPY	106.18	-0.05	-0.15	-0.34	-0.65		<b>Index</b>
GBP/USD	1.3002	0.0003	0.0006	0.0018	0.0029	NZX50	11,739
EUR/GBP	0.9080	0.0005	0.0014	0.0028	0.0058	ASX200	5,879
						Dow Jones	27,941
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		S&P 500	3,407
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>	FTSE100	6,013
30 day bank bills		0.29%	0.25%	0.09%	0.09%	DAX 30	13,237
90 day bank bills		0.32%	0.28%	0.11%	0.07%	Nikkei	23,033
FRA 90d in 3mths		0.25%	0.22%	0.14%	0.09%		
FRA 180d in 6mths		-0.06%	-0.08%	0.14%	0.10%	<b>COMMODITIES</b>	
1 year swap*		0.11%	0.08%	0.11%	0.09%		<b>USD</b>
2 year swap*		0.03%	0.00%	0.14%	0.13%	Dubai Light	39.24
3 year swap*		0.03%	0.00%	0.17%	0.17%	Brent Crude	40.71
5 year swap*		0.12%	0.10%	0.36%	0.35%	Gold	1,948.67
10 year swap*		0.55%	0.52%	0.85%	0.83%	Silver	27.02
10 year Govt bond			0.55%		0.89%	CRB Index	156.23

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

SOURCE: Bloomberg

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