



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 14 September 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6660	-0.0002
NZD/AUD	0.9148	-0.0006
NZD/JPY	70.69	-0.24
NZD/EUR	0.5629	-0.0026
NZD/GBP	0.5206	-0.0008
NZD/CNH	4.5514	0.0527
AUD/USD	0.7279	0.0003
AUD/EUR	0.6151	-0.0024
EUR/USD	1.1834	0.0052
USD/CNH	7.1227	0.0807
GBP/USD	1.2794	0.0016
EUR/GBP	0.9249	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.09%
2 year swap	0.05%	0.13%
10 year Govt	0.60%	0.91%

US economy holding up

US consumer prices increased 0.4% in August. This followed on from July's 0.6% increase and beat market forecasts of 0.3%. The largest contributor to August's print was the cost of used cars and trucks, which increased 5.4%, the most since March 1969. We also had the August US budget deficit which came out at USD200 billion, which was lower than market expectation of USD245 billion.

While the US data was good, UK data was terrible as GDP in the 3 months to July contracted 7.6% as COVID

restrictions dramatically reduced economic activity. The poor print followed on from June's Q2 record 20.4% plunge.

US equities liked the data, with the Dow and S&P closing in positive territory, although the Nasdaq slumped again to record its worst week since March. In amongst this, European equities, commodities and currencies were all broadly flat, which saw the NZD/USD and AUD/USD open this morning at 0.6660 and 0.7280 respectively. The US 10-year yield closed at 0.67%.

Working from home is great

Until they cut your wages! It been has reported that Twitter, Facebook and VMWare are cutting the wages of workers who are leaving the San Francisco area to work remotely from cheaper areas.

It's been a busy weekend in China after they banned pork imports from Germany and tightened capital demands on local conglomerates such as Ant Group and China Evergrande Group in an attempt to curb risks associated with the nation's USD49 trillion financial industry.

An EU official has announced the EU will not approve any UK-EU trade deal without the full implementation of the Brexit divorce deal.

In the search for cash, SoftBank is nearing the USD40 billion sale of its Japanese technology conglomerate,

Arm Holdings to Nvidia, which would create a chip-industry powerhouse.

Following on from their suspension due to a suspected adverse reaction in a trial participant, the Oxford AstraZeneca COVID vaccine clinical trials are set to resume in the UK, while the Pfizer CEO announced that all American's could get shot by the end of the year ... a COVID shot that is!

Positive NZ data

The REINZ August house data highlighted that the Auckland lockdown has done little to slow the local market as the median price gained +2% on the month and +16.3% on the year. Yearly sales were also up +24.8%

The NZ business manufacturing PMI for August remained positive at 50.7 despite the lockdown, having weakened from July's 58.8. The key indices of new orders 54.0 and production 51.1 remained positive, while employment remained in contraction at 49.0. New Zealand food price inflation in August also grew modestly at +0.7% for the month following on from July's +1.2%

Thursday is shaping up to be a busy day this week with the Fed, BoE and BoJ all meeting, while we also have NZ Q2 GDP.

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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	72.00					CAD	0.8786	0.9604
NZD/USD	0.6660	0.0000	-0.0001	-0.0002	0.0004	CHF	0.6056	0.6620
NZD/AUD	0.9148	-0.0001	-0.0003	-0.0006	0.0017	CNY	4.5570	4.9816
NZD/JPY	70.69	-0.04	-0.11	-0.24	-0.38	DKK	4.1868	4.5770
NZD/EUR	0.5629	-0.0004	-0.0012	-0.0026	-0.0044	FJD	1.4072	1.5383
NZD/GBP	0.5206	-0.0001	-0.0003	-0.0008	-0.0009	HKD	5.1608	5.6418
						KRW	792.02	865.84
AU TWI	62.20					MYR	2.7741	3.0326
AUD/USD	0.7279	0.0001	0.0002	0.0003	-0.0010	NOK	6.0303	6.5923
AUD/NZD	1.0932	0.0001	0.0004	0.0008	-0.0021	SEK	5.8516	6.3969
AUD/JPY	77.24	-0.03	-0.09	-0.21	-0.56	SGD	0.9108	0.9957
AUD/EUR	0.6151	-0.0004	-0.0011	-0.0024	-0.0060	TWD	19.56	21.39
AUD/GBP	0.5689	-0.0001	-0.0001	-0.0005	-0.0020	ZAR	11.1438	12.1823
USD Index	93.33							
EUR/USD	1.1834	0.0008	0.0024	0.0052	0.0100	EQUITIES		
USD/JPY	106.12	-0.05	-0.15	-0.33	-0.63		Index	
GBP/USD	1.2794	0.0002	0.0006	0.0016	0.0029	NZX50		11,748
EUR/GBP	0.9249	0.0005	0.0014	0.0028	0.0057	ASX200		5,859
						Dow Jones		27,666
						S&P 500		3,341
						FTSE100		6,032
						DAX 30		13,203
						Nikkei		23,406
						COMMODITIES		
							USD	
						Dubai Light		39.10
						Brent Crude		39.83
						Gold		1,939.80
						Silver		26.72
						CRB Index		155.53

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.29%	0.25%	0.09%	0.09%
90 day bank bills	0.32%	0.28%	0.11%	0.07%
FRA 90d in 3mths	0.28%	0.25%	0.14%	0.09%
FRA 180d in 6mths	-0.01%	-0.03%	0.15%	0.11%
1 year swap*	0.14%	0.11%	0.12%	0.09%
2 year swap*	0.07%	0.04%	0.14%	0.12%
3 year swap*	0.07%	0.04%	0.17%	0.16%
5 year swap*	0.14%	0.11%	0.38%	0.35%
10 year swap*	0.55%	0.51%	0.86%	0.83%
10 year Govt bond		0.58%		0.91%

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

SOURCE: Bloomberg

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