



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 15 September 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6707	-0.0002
NZD/AUD	0.9198	-0.0007
NZD/JPY	70.90	-0.24
NZD/EUR	0.5653	-0.0026
NZD/GBP	0.5218	-0.0008
NZD/CNH	4.5646	0.0533
AUD/USD	0.7292	0.0004
AUD/EUR	0.6147	-0.0023
EUR/USD	1.1864	0.0052
USD/CNH	7.1227	0.0810
GBP/USD	1.2855	0.0017
EUR/GBP	0.9229	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.09%
2 year swap	0.05%	0.12%
10 year Govt	0.59%	0.87%

Time for a stand-off?

China has announced new restrictions on US diplomats' activities in Hong Kong and on mainland China, while the commerce ministry has announced it has launched an anti-subsidy investigation on some glycol ethers imports from the US.

A Chinese company with links to their military and intelligence networks has amassed a vast database of detailed personal information on 2.4 million individuals, including more than 35,000 prominent and influential Australians.

There will inevitably be New Zealanders on this list, so check who is following you on social media!

According to a 'highly classified intel report,' Iran is weighing up a plot to kill the US ambassador to South Africa in response to the killing of Qassem Soleimani earlier this year.

ByteDance has abandoned the sale of TikTok in the United States to pursue a partnership with Oracle that it hopes will spare it a US ban while appeasing the Chinese government. Bloomberg reported the deal between the two "will look more like a corporate restructuring than an outright sale." The Trump administration will review the deal later this week.

US equity markets recovered overnight following on from their first back-to-back weekly declines since March, with tech stocks the top performers while a large part of the bounce was derived from the TikTok and Nvidia deals. European and Asian markets were mixed. The carry currency-equity correlation remains in play, which dragged the NZD/USD above the 0.6700 level to be at 0.6705, while the AUD/USD is at 0.7295. Bond yields are flat.

Brexit stuck in the headlines

The UK government will undertake a key Brexit vote on a bill that would break international law by breaching parts of the Withdrawal Agreement that was signed in January.

Surprisingly, the UK and Japan have announced, in principle, a new trade deal. In an interesting twist, the UK has agreed to replicate restrictions as per the EU-Japan deal, that prohibits both governments from indefinitely

guaranteeing the debts of struggling companies or providing an open-ended bailout without a clear restructuring plan. By contrast, the UK has repeatedly told the EU that it must have total freedom over state aid after the end of the Brexit transition period with complete autonomy over future subsidy decisions, subject to WTO rules.

ECB Vice-President de Guindos stated the central bank "does not target the EUR exchange rate, but it is an important variable the Bank monitors it when assessing the effects on price stability." This was followed up in a speech by ECB President, Christine Lagarde, where she stated the "ECB would carefully assess incoming data, including the euro's strengthening, which risked dampening both growth and inflation."

Interestingly, ECB member Lane announced he would "question any analysis that argues lower rates in Europe would be more stimulative. Banks and savers are getting killed. Cutting rates further, followed by a turn in inflation, would put hundreds of billions of euro assets underwater."

Interestingly, the Eurozone's industrial production rose 4.1% in July, following on from June's 9.5% jump. Market expectations were for a 4.0% increase.

According to a government report, the value of Australian agricultural exports is expected to slump by 10% in 2020-21, as the COVID pandemic and trade tensions with China hits demand.

Yoshihide Suga has won the LDP leadership race to succeed Shinzo Abe as the new Japanese PM.

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

Tuesday 15 September 2020 | www.bancorp.co.nz

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.32					CAD	0.8839	0.9610
NZD/USD	0.6707	0.0000	-0.0001	-0.0002	0.0004	CHF	0.6092	0.6624
NZD/AUD	0.9198	-0.0001	-0.0004	-0.0007	0.0000	CNY	4.5675	4.9660
NZD/JPY	70.90	-0.04	-0.11	-0.24	-0.38	DKK	4.2062	4.5731
NZD/EUR	0.5653	-0.0004	-0.0012	-0.0026	-0.0044	FJD	1.4146	1.5380
NZD/GBP	0.5218	-0.0001	-0.0003	-0.0008	-0.0009	HKD	5.1976	5.6511
						KRW	792.77	861.94
AU TWI	62.20					MYR	2.7731	3.0150
AUD/USD	0.7292	0.0001	0.0002	0.0004	0.0004	NOK	6.0615	6.5904
AUD/NZD	1.0873	0.0001	0.0004	0.0008	0.0000	SEK	5.8830	6.3962
AUD/JPY	77.08	-0.03	-0.09	-0.20	-0.41	SGD	0.9151	0.9949
AUD/EUR	0.6147	-0.0004	-0.0010	-0.0023	-0.0048	TWD	19.66	21.38
AUD/GBP	0.5673	-0.0001	-0.0001	-0.0005	-0.0010	ZAR	11.1803	12.1557
USD Index	93.02							
EUR/USD	1.1864	0.0008	0.0024	0.0052	0.0101	EQUITIES		
USD/JPY	105.71	-0.05	-0.15	-0.33	-0.63		Index	
GBP/USD	1.2855	0.0003	0.0006	0.0017	0.0030	NZX50	11,791	
EUR/GBP	0.9229	0.0005	0.0014	0.0028	0.0057	ASX200	5,900	
						Dow Jones	27,993	
						S&P 500	3,394	
						FTSE100	6,026	
						DAX 30	13,194	
						Nikkei	23,559	
						COMMODITIES		
							USD	
						Dubai Light	38.64	
						Brent Crude	39.64	
						Gold	1,958.51	
						Silver	27.17	
						CRB Index	155.62	

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%	0.13%	0.08%
FRA 180d in 6mths	-0.02%	-0.04%	0.13%	0.09%
1 year swap*	0.14%	0.12%	0.12%	0.08%
2 year swap*	0.06%	0.03%	0.13%	0.11%
3 year swap*	0.07%	0.04%	0.16%	0.15%
5 year swap*	0.14%	0.11%	0.32%	0.31%
10 year swap*	0.55%	0.51%	0.82%	0.78%
10 year Govt bond		0.58%		0.87%

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

SOURCE: Bloomberg

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.