



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 22 September 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6667	-0.0003
NZD/AUD	0.9230	-0.0008
NZD/JPY	69.81	-0.22
NZD/EUR	0.5666	-0.0026
NZD/GBP	0.5203	-0.0008
NZD/CNH	4.5290	0.0531
AUD/USD	0.7223	0.0004
AUD/EUR	0.6138	-0.0022
EUR/USD	1.1767	0.0049
USD/CNH	7.1227	0.0822
GBP/USD	1.2813	0.0016
EUR/GBP	0.9184	0.0027

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	0.52%	0.85%

The one common connection

The reasons for the sell-off are many, but let's start at the top of the list and work our way down. Fears of new COVID lockdowns, the political ramifications of appointing a replacement for Supreme Court Justice, Ruth Ginsburg, a failure by Congress to pass a new U.S. fiscal stimulus package which could lead to a government shutdown on 1 October, a looming US election, and continuing US-China tensions. Interestingly, there is one unique individual that connects all of these factors together!

While the US markets spent the majority of the session deeply in the red, a

rally in the last hour painted over some of the cracks. At the time of writing, the Dow is down 1.9%, the S&P is off 1.0%, while the Nasdaq, incredibly, closed up 0.6%. This followed on from the carnage in Europe where the major indices were broadly off 3.0%, although Asian markets performed slightly better being off a modest 0.0-1.0%.

This weakness has flowed through to commodity and currency markets with oil and gas markets hit hard. The gold star goes to natural gas, which is down a whopping 10.3%, while the silver star goes to, well, silver which is down 8.0%. In currency land, one of the biggest beneficiaries of the sell-off was NZD/USD, which fell 1.4% to 0.6666 while the AUD/USD also eased to 0.7225. The U.S. Treasuries also rallied, which saw the 10-year yield fall to 0.67%.

This is starting to get crazy!

Just when you thought it couldn't get any worse for the banking industry, leaked documents from 2,100 filings with the U.S. Treasury's Financial Crimes Enforcement Network, highlighted that almost 90 financial institutions moved USD2 trillion in transfers that their own compliance officers had flagged as suspicious.

In new projections, US federal debt is set to exceed GDP by 195% in 2050 with the the interest payable, due to quadruple, according to the Congressional Budget

Office. To provide a comparison, it is currently projected to be at 98% by the end of 2020 and was 79% in 2019. Still, they have some way to go to beat Japan, who are already at 200%!.

The FT reports that the UK's Chancellor, Rishi Sunak, is set to extend the governments business support loans as the countries Chief Medical officer says the COVID trend is heading in the wrong direction, as the UK scientific advisers are recommending a second national lockdown.

The editor of the Chinese Global Times has come out swinging on behalf of the Chinese communist party tweeting, "*if we have no choice but war, we should first avoid direct conflict with the U.S. We can (instead) severely beat up a U.S. running dog that always crosses our bottom line ... to send a warning.*"

Meanwhile, the WSJ reports that Chinese leaders are to debate whether to speed up the blacklisting of US companies.

Social media rumours continue to swirl that Salman bin Abdulaziz Al Saud, the 84 year old King of Saudi Arabia, is in a critical condition.

Tightening the purse strings

New Zealand credit card spending data for August contracted 5.8% on the month, and 11.9% on the year, as Aucklanders entered their second lockdown.

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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	71.97					CAD	0.8871	0.9611
NZD/USD	0.6667	-0.0001	-0.0002	-0.0003	0.0003	CHF	0.6098	0.6607
NZD/AUD	0.9230	-0.0002	-0.0005	-0.0008	-0.0001	CNY	4.5366	4.9153
NZD/JPY	69.81	-0.04	-0.11	-0.22	-0.36	DKK	4.2156	4.5675
NZD/EUR	0.5666	-0.0004	-0.0012	-0.0026	-0.0044	FJD	1.4042	1.5214
NZD/GBP	0.5203	-0.0001	-0.0004	-0.0008	-0.0009	HKD	5.1665	5.5978
						KRW	777.09	841.96
AU TWI	61.90					MYR	2.7725	3.0040
AUD/USD	0.7223	0.0001	0.0002	0.0004	0.0004	NOK	6.1952	6.7124
AUD/NZD	1.0835	0.0002	0.0005	0.0010	0.0001	SEK	5.8960	6.3882
AUD/JPY	75.64	-0.03	-0.08	-0.18	-0.38	SGD	0.9085	0.9843
AUD/EUR	0.6138	-0.0003	-0.0010	-0.0022	-0.0047	TWD	19.33	20.95
AUD/GBP	0.5637	0.0000	-0.0001	-0.0004	-0.0009	ZAR	11.1886	12.1226
USD Index	93.57							
EUR/USD	1.1767	0.0008	0.0023	0.0049	0.0099	EQUITIES		
USD/JPY	104.73	-0.05	-0.14	-0.30	-0.59		Index	
GBP/USD	1.2813	0.0002	0.0006	0.0016	0.0029	NZX50	11,539	
EUR/GBP	0.9184	0.0004	0.0013	0.0027	0.0056	ASX200	5,823	
						Dow Jones	27,148	
						S&P 500	3,276	
						FTSE100	5,804	
						DAX 30	12,542	
						Nikkei	23,360	
						COMMODITIES		
							USD	
						Dubai Light	41.72	
						Brent Crude	41.76	
						Gold	1,912.88	
						Silver	24.69	
						CRB Index	157.03	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.30%	0.26%	0.09%	0.09%
90 day bank bills	0.32%	0.28%	0.11%	0.07%
FRA 90d in 3mths	0.30%	0.26%	0.12%	0.07%
FRA 180d in 6mths	-0.02%	-0.04%	0.13%	0.09%
1 year swap*	0.15%	0.11%	0.10%	0.09%
2 year swap*	0.06%	0.04%	0.14%	0.10%
3 year swap*	0.06%	0.04%	0.17%	0.13%
5 year swap*	0.14%	0.11%	0.33%	0.31%
10 year swap*	0.53%	0.51%	0.79%	0.77%
10 year Govt bond		0.51%		0.85%

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

SOURCE: Bloomberg

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