



MARKET ALERT

Wednesday 23 September 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6638	-0.0002
NZD/AUD	0.9252	-0.0007
NZD/JPY	69.65	-0.22
NZD/EUR	0.5668	-0.0025
NZD/GBP	0.5211	-0.0007
NZD/CNH	4.5037	0.0534
AUD/USD	0.7175	0.0004
AUD/EUR	0.6127	-0.0022
EUR/USD	1.1710	0.0049
USD/CNH	7.1227	0.0823
GBP/USD	1.2740	0.0014
EUR/GBP	0.9191	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.31%	0.09%
2 year swap	0.05%	0.12%
10 year Govt	0.51%	0.83%

A marked improvement but still highly uncertain

Federal Reserve Chair, Jerome Powell, reiterated remarks ahead of his semi-annual testimony to Congress, that the Fed will “do what we can, for as long as it takes” to support the recovery. He then added that many economic indicators show a “marked improvement” although the path ahead for the economy remains “highly uncertain.”

Although, St. Louis Fed President, James Bullard, said the U.S. economy has enough momentum to continue its recovery from the COVID slump even if Congress fails to pass additional taxpayer

support, while Richmond Fed President, Thomas Barkin, added “*spending is coming back faster than employment.*” Non-voting Fed member, Charles Evans, stated the “*US has been able to return to about 90% of its precrisis economy.*”

Low interest rates are supporting the US housing market as August sales increased 2.4% on the month to a seasonally adjusted annual rate of 6 million units. That is the highest reading since December of 2006 and was in line with expectations.

Markets have reverted to positive territory with most indices broadly up 0-1%, although the Nasdaq outperformed rallying 2%. Against this, the 10-year treasury eased to 0.67%, the NZD/USD fell to 0.6635 and the AUD/USD trended to 0.7170, which saw NZD/AUD rally to 0.9255.

Perilous turning point

The pound has hit a 2-month low as COVID and Brexit continue to weigh on the currency after UK Prime Minister, Boris Johnson, announced the country is at a “*perilous turning point*” as he implemented new, stricter measures aimed at curbing a second COVID wave, although he stopped short of implementing a full lockdown. Luckily, he also added that locking up the elderly was not a realistic option! On Brexit, Minister, Michael Gove, admitted that up to 70% of trucks may not be ready for border checks post 31st December.

RBA Deputy Governor, Guy Debelle, was on the newswires, and he made a few headlines! He reiterated that the board continues to assess other monetary policy options, stating that “*negative rates are an option, but that does not mean they are ‘on the table!’*” FX intervention is another policy option although it was not clear if intervention would be effective, as the AUD is “*broadly aligned with fundamentals.*” He finally stated that it’s plausible that the worst of COVID is behind us, but try telling that to the residents of Melbourne after the state of Victoria extended the state of emergency!

ECB President, Christine Lagarde, announced the ECB has further room for additional stimulus as Eurozone consumer confidence improved to -13.9 in September from -14.7 in August.

A *Global Times* editorial says the TikTok – Oracle/Walmart deal is unlikely to get Chinese government approval while the WSJ has announced that Chinese Vice Premier, Hu Chunhua, is debating whether to release a ‘blacklist’ of US firms before or after the US election.

Jack Ma’s Ant Group is targeting a USD35 billion IPO, which would value the full company at USD250 billion making it the largest IPO on record.

And speaking of China, President Xi has vowed the country will be carbon neutral by 2060, while a New York City police officer, who also serves as a U.S. Army reservist, has been charged as a Chinese spy.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.77					CAD	0.8832	0.9546
NZD/USD	0.6638	0.0000	-0.0001	-0.0002	0.0003	CHF	0.6102	0.6595
NZD/AUD	0.9252	-0.0001	-0.0004	-0.0007	-0.0002	CNY	4.5004	4.8642
NZD/JPY	69.65	-0.03	-0.10	-0.22	-0.36	DKK	4.2186	4.5596
NZD/EUR	0.5668	-0.0004	-0.0012	-0.0025	-0.0044	FJD	1.4031	1.5165
NZD/GBP	0.5211	-0.0001	-0.0003	-0.0007	-0.0008	HKD	5.1442	5.5601
						KRW	772.46	834.91
AU TWI	61.40					MYR	2.7581	2.9810
AUD/USD	0.7175	0.0001	0.0002	0.0004	0.0004	NOK	6.2025	6.7039
AUD/NZD	1.0808	0.0001	0.0005	0.0009	0.0002	SEK	5.9137	6.3918
AUD/JPY	75.28	-0.03	-0.08	-0.18	-0.37	SGD	0.9062	0.9794
AUD/EUR	0.6127	-0.0004	-0.0010	-0.0022	-0.0047	TWD	19.30	20.87
AUD/GBP	0.5632	0.0000	-0.0001	-0.0003	-0.0008	ZAR	11.1505	12.0520
USD Index	93.97							
EUR/USD	1.1710	0.0008	0.0022	0.0049	0.0098	EQUITIES		
USD/JPY	104.93	-0.05	-0.14	-0.30	-0.59		Index	
GBP/USD	1.2740	0.0002	0.0006	0.0014	0.0025	NZX50	11,609	
EUR/GBP	0.9191	0.0005	0.0014	0.0028	0.0058	ASX200	5,784	
						Dow Jones	27,303	
						S&P 500	3,312	
						FTSE100	5,829	
						DAX 30	12,594	
						Nikkei	23,360	
						COMMODITIES		
							USD	
						Dubai Light	41.32	
						Brent Crude	41.68	
						Gold	1,902.23	
						Silver	24.47	
						CRB Index	156.70	

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	0.33%	0.29%	0.11%	0.07%
FRA 90d in 3mths	0.29%	0.26%	0.11%	0.06%
FRA 180d in 6mths	-0.02%	-0.04%	0.12%	0.08%
1 year swap*	0.13%	0.10%	0.09%	0.08%
2 year swap*	0.07%	0.04%	0.12%	0.11%
3 year swap*	0.06%	0.03%	0.16%	0.15%
5 year swap*	0.14%	0.11%	0.33%	0.31%
10 year swap*	0.53%	0.49%	0.80%	0.78%
10 year Govt bond		0.49%		0.83%

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

SOURCE: Bloomberg

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