



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 25 September 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6551	-0.0002
NZD/AUD	0.9291	-0.0007
NZD/JPY	69.05	-0.20
NZD/EUR	0.5613	-0.0024
NZD/GBP	0.5140	-0.0007
NZD/CNH	4.4713	0.0538
AUD/USD	0.7051	0.0004
AUD/EUR	0.6041	-0.0022
EUR/USD	1.1671	0.0048
USD/CNH	7.1227	0.0838
GBP/USD	1.2744	0.0014
EUR/GBP	0.9158	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.08%
2 year swap	0.04%	0.09%
10 year Govt	0.46%	0.80%

European banks get paid to borrow from ECB

The ECB has provided long-term loans, through their targeted loan facility known as the TLTRO, at interest rates as low as -1.00%. This means the ECB pays them to borrow below the ECB's deposit facility rate of -0.50%.

The TLTRO has become one of the ECB's most important tools because it compensates banks for the negative deposit rate, provided that banks lend the cash onto companies and households.

Unfortunately, with EUR1.3 trillion lent via the scheme over the last 3-months, Eurozone banks borrowed just

EUR174.5 billion in this latest offering, suggesting that *"most lenders now consider themselves well-financed."*

Boston Fed President, Eric Rosengren, has announced his baseline forecast is for the pandemic to get worse this fall and winter, with some parts of the US re-entering lockdowns. In his view, economic activity will decrease and it's very likely the US will face a credit crunch toward the end of this year should banks come under stress from commercial real estate loans.

With a sense of déjà vu, House Democrats are preparing a new USD2.4 trillion stimulus plan which would include unemployment benefits, direct payments, small business loans and airline aid.

Looking at US data, unemployment claims rose 870,000 on the week ending September 19th, higher than the previous week's 866,000 and above market expectations of 840,000. Continuing claims fell to 12.58 million.

Meanwhile, home sales jumped 4.8%, or 1.01 million on the month, surprising markets that were expecting a fall to 895,000. This was the highest reading since September 2006.

While this may be seen as a little premature, Fed member and economist Lael Brainard is seen as the front-runner for Biden's US Treasury Secretary role.

In what was a see-saw night for equity markets, we have ultimately closed at near-flat levels, with the European

indices down a touch, while US markets are up modestly. In fact, everything is broadly flat, with the 10-year Treasury yield at 0.67% and the NZD/USD and AUD/USD at 0.6550 and 0.7050 respectfully.

Australian rate cut?

With speculation increasing that the RBA will lower their cash rate and 3-year yield target to 0.10%, the 3-month BBSW fixing fell to a record low of 0.08% yesterday.

Westpac will pay a record AUD1.3 billion fine to settle Australia's biggest breach of anti-money laundering laws after it was accused of more than 23 million breaches.

CBB International, a research group who produce a 'beige book' type analysis on the Chinese economy, has noted the Chinese economic recovery is patchy as *"For the corporate elite the economy is accelerating. But the rest of China — most firms in most regions — are seeing a far more muted recovery."*

In a real, 'what's wrong with putting the fox in with chicken coop scenario' President Trump has stated that he wants the White House to decide on the FDA's vaccine rules.

Oh, on the election, P Diddy, (sorry, P Trump), says he thinks the 2020 election will end up in the Supreme Court. Comments such as these will no doubt encourage safe-haven flows as US election uncertainty builds.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

Friday 25 September 2020 | www.bancorp.co.nz

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.33					CAD	0.8747	0.9414
NZD/USD	0.6551	0.0000	-0.0001	-0.0002	0.0005	CHF	0.6069	0.6532
NZD/AUD	0.9291	-0.0001	-0.0004	-0.0007	-0.0001	CNY	4.4736	4.8149
NZD/JPY	69.05	-0.03	-0.09	-0.20	-0.32	DKK	4.1787	4.4975
NZD/EUR	0.5613	-0.0004	-0.0011	-0.0024	-0.0042	FJD	1.4034	1.5105
NZD/GBP	0.5140	-0.0001	-0.0003	-0.0007	-0.0007	HKD	5.0773	5.4647
						KRW	766.92	825.45
AU TWI	60.30					MYR	2.7216	2.9292
AUD/USD	0.7051	0.0001	0.0002	0.0004	0.0006	NOK	6.2247	6.6997
AUD/NZD	1.0763	0.0001	0.0004	0.0009	0.0001	SEK	5.9620	6.4170
AUD/JPY	74.32	-0.02	-0.07	-0.15	-0.34	SGD	0.9013	0.9700
AUD/EUR	0.6041	-0.0003	-0.0010	-0.0022	-0.0045	TWD	19.19	20.65
AUD/GBP	0.5532	0.0000	-0.0001	-0.0003	-0.0007	ZAR	11.0913	11.9376
USD Index	94.34							
EUR/USD	1.1671	0.0007	0.0022	0.0048	0.0097	EQUITIES		
USD/JPY	105.42	-0.04	-0.13	-0.28	-0.57		Index	
GBP/USD	1.2744	0.0002	0.0005	0.0014	0.0026	NZX50	11,690	
EUR/GBP	0.9158	0.0004	0.0014	0.0028	0.0057	ASX200	5,876	
						Dow Jones	26,815	
						S&P 500	3,245	
						FTSE100	5,823	
						DAX 30	12,607	
						Nikkei	23,088	
						COMMODITIES		
							USD	
						Dubai Light	40.95	
						Brent Crude	41.83	
						Gold	1,869.75	
						Silver	23.25	
						CRB Index	157.60	

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%	0.10%	0.06%
FRA 90d in 3mths	0.26%	0.23%	0.09%	0.04%
FRA 180d in 6mths	-0.05%	-0.05%	0.09%	0.05%
1 year swap*	0.14%	0.11%	0.08%	0.06%
2 year swap*	0.05%	0.02%	0.09%	0.08%
3 year swap*	0.05%	0.02%	0.14%	0.13%
5 year swap*	0.11%	0.08%	0.28%	0.26%
10 year swap*	0.49%	0.46%	0.75%	0.73%
10 year Govt bond		0.44%		0.80%

* 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.