



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 28 September 2020 | www.bancorp.co.nz

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6550 | -0.0001 |
| NZD/AUD | 0.9316 | -0.0007 |
| NZD/JPY | 69.13 | -0.20 |
| NZD/EUR | 0.5629 | -0.0025 |
| NZD/GBP | 0.5141 | -0.0007 |
| NZD/CNH | 4.4721 | 0.0564 |
| AUD/USD | 0.7031 | 0.0004 |
| AUD/EUR | 0.6044 | -0.0022 |
| EUR/USD | 1.1632 | 0.0049 |
| USD/CNH | 7.1227 | 0.0875 |
| GBP/USD | 1.2746 | 0.0015 |
| EUR/GBP | 0.9126 | 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% |

RBA speculation mounts

While there has been a lot of speculation the RBA will cut their cash rate and 3-year target yield to 0.10%, an opinion piece in the WSJ states the RBA will not cut the cash rate at the October meeting. But all of this talk on the RBA has weighed on the AUD, which fell further over the weekend to be at 0.7030, which has seen the NZD/AUD cross rally back above the 0.9300 level to be at 0.9310 with the NZD/USD steady at 0.6545.

But this didn't deter the ASX from putting in a solid performance on Friday after Treasurer, Josh Frydenberg, announced the government will alter

regulations to allow banks to rely on income and spending information provided by borrowers when assessing loan applications, rather than doing their own lengthy verifications. What could possibly go wrong?

To be fair though, the ASX's performance was mirrored by the US markets, which were up 1-2% although European indices were weaker easing 0-1%.

The US 10-year yield closed at 0.66%. One thing we can be sure of is that the Australian budget deficit is heading in one direction. According to Deloitte Access Economics, their forecast deficit is set to widen to AUD198.5 billion, from an AUD140.2 billion estimated just two months ago, due to the Melbourne lockdown.

In the US, President Trump has nominated Amy Coney Barrett to the Supreme Court, setting up an election year confirmation battle. In naming Barrett, Trump announced *"she is a woman of unparalleled achievement, towering intellect, sterling credentials, and unyielding loyalty to the Constitution."*

Speaking of Mr Trump, ahead of this week's Presidential debate, he has stated he will 'demand' Joe Biden take a drug test!

The Japanese press has reported the government is considering a corporate tax cut for SME's, which would help given that the August PPI services release reported a very modest 1.0% increase for the year ending in August.

EU tells UK it's time to commit to key elements of the trade deal

In announcing this ultimatum, the EU is setting the conditions for Brexit negotiations ahead of their 15 October deadline as they seek final commitments on dispute resolution, human rights and data.

While we all know the Brits love a brand new car, UK vehicle production has fallen 44% for the year to August. And just to add to the doom and gloom, their GfK Consumer Confidence index for September 'improved' to -25 against an expected -27. Finally, Fitch has affirmed UK at AA- with a negative outlook.

Just to emphasise the growing importance of the Chinese financial markets, the FTSE Russell has announced they will add Chinese government bonds to their benchmark World Government Bond Index ("WGBI") index next year. The FTSE Russell is the third major bond index and the inclusion of Chinese bonds is expected to attract USD120 billion of inflows from foreign investors.

Finally, in a scene from 'The Godfather III,' powerful Vatican Cardinal Angelo Becciu has resigned amid financial scandal ... just make sure you don't wake up next to a horse's head, Mr Becciu!

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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 | 71.30 | | | | | CAD | 0.8763 | 0.9407 |
| NZD/USD | 0.6550 | 0.0000 | -0.0001 | -0.0001 | 0.0005 | CHF | 0.6081 | 0.6527 |
| NZD/AUD | 0.9316 | -0.0001 | -0.0003 | -0.0007 | 0.0000 | CNY | 4.4670 | 4.7952 |
| NZD/JPY | 69.13 | -0.03 | -0.09 | -0.20 | -0.33 | DKK | 4.1921 | 4.5001 |
| NZD/EUR | 0.5629 | -0.0004 | -0.0011 | -0.0025 | -0.0043 | FJD | 1.4018 | 1.5048 |
| NZD/GBP | 0.5141 | -0.0001 | -0.0003 | -0.0007 | -0.0007 | HKD | 5.0757 | 5.4487 |
| | | | | | | KRW | 768.86 | 825.35 |
| AU TWI | 60.40 | | | | | MYR | 2.7401 | 2.9414 |
| AUD/USD | 0.7031 | 0.0001 | 0.0002 | 0.0004 | 0.0005 | NOK | 6.2695 | 6.7302 |
| AUD/NZD | 1.0735 | 0.0001 | 0.0004 | 0.0008 | 0.0000 | SEK | 5.9772 | 6.4163 |
| AUD/JPY | 74.23 | -0.02 | -0.07 | -0.16 | -0.35 | SGD | 0.9023 | 0.9686 |
| AUD/EUR | 0.6044 | -0.0003 | -0.0010 | -0.0022 | -0.0045 | TWD | 19.12 | 20.53 |
| AUD/GBP | 0.5516 | 0.0000 | -0.0001 | -0.0003 | -0.0007 | ZAR | 11.2198 | 12.0442 |
| USD Index | 94.64 | | | | | | | |
| EUR/USD | 1.1632 | 0.0007 | 0.0022 | 0.0049 | 0.0097 | EQUITIES | | |
| USD/JPY | 105.59 | -0.04 | -0.13 | -0.28 | -0.57 | | Index | |
| GBP/USD | 1.2746 | 0.0002 | 0.0006 | 0.0015 | 0.0026 | NZX50 | 11,797 | |
| EUR/GBP | 0.9126 | 0.0004 | 0.0013 | 0.0028 | 0.0057 | ASX200 | 5,965 | |
| | | | | | | Dow Jones | 27,174 | |
| | | | | | | S&P 500 | 3,298 | |
| | | | | | | FTSE100 | 5,843 | |
| | | | | | | DAX 30 | 12,469 | |
| | | | | | | Nikkei | 23,205 | |
| | | | | | | | | |
| | | | | | | COMMODITIES | | |
| | | | | | | | USD | |
| | | | | | | Dubai Light | 41.57 | |
| | | | | | | Brent Crude | 41.92 | |
| | | | | | | Gold | 1,860.39 | |
| | | | | | | Silver | 22.86 | |
| | | | | | | 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 | 0.27% | 0.24% | 0.10% | 0.05% |
| FRA 180d in 6mths | -0.03% | -0.05% | 0.10% | 0.06% |
| 1 year swap* | 0.14% | 0.10% | 0.08% | 0.07% |
| 2 year swap* | 0.05% | 0.02% | 0.09% | 0.08% |
| 3 year swap* | 0.05% | 0.02% | 0.13% | 0.12% |
| 5 year swap* | 0.13% | 0.10% | 0.28% | 0.27% |
| 10 year swap* | 0.51% | 0.48% | 0.73% | 0.72% |
| 10 year Govt bond | | 0.44% | | 0.80% |

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

SOURCE: Bloomberg

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