



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 29 September 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6561	-0.0001
NZD/AUD	0.9281	-0.0007
NZD/JPY	69.23	-0.20
NZD/EUR	0.5625	-0.0025
NZD/GBP	0.5111	-0.0007
NZD/CNH	4.4686	0.0563
AUD/USD	0.7069	0.0004
AUD/EUR	0.6060	-0.0022
EUR/USD	1.1664	0.0049
USD/CNH	7.1227	0.0872
GBP/USD	1.2835	0.0015
EUR/GBP	0.9088	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.08%
2 year swap	0.04%	0.10%
10 year Govt	0.45%	0.77%

Talking the currency down

ECB member and Italy's Central Bank Governor, Ignazio Visco, stated *"the euro's recent strengthening is worrying us because it generates further downward pressures on prices at a time when inflation is already low. The monetary policy implications are obvious: If the downward pressures jeopardise our price stability objective, we'll have to intervene."*

Meanwhile, fellow ECB member and Bank of Spain Governor, Pablo Hernández de Cos, stated in a newspaper article *"significant monetary stimulus should stay in place. Inflation is foreseen to be well below the ECB's target and recent exchange rate moves mean there is 'no room*

for complacency.' It's 'crucial' to stay flexible in the execution of asset purchase programs."

Finally, Christine Lagarde announced *"it is clear that the external value of the Euro has impact on inflation. We monitor FX movements, (although the) exchange rate is not a policy target for the ECB."*

US Stocks rallied 1.0-2.0% helping markets to recover some ground following four consecutive weeks of declines, while European bourses bounced 2.0-3.0% to post its best day since June, as prospects of more policy support lifted sentiment after Nancy Pelosi expressed hopes that a new stimulus deal with the Republicans could be reached. And while commodity and bond markets were also buoyant, with the 10-year yield at 0.665%, currency markets were strangely subdued with the NZD/USD flatlining at 0.6555, AUD/USD at 0.7075 and the NZD/AUD easing to 0.9275.

We also saw the GBP/USD jump more than 1.0% after the Bank of England Deputy Governor, Dave Ramsden, said the central bank was *"not about to use negative rates imminently."* Does that make the RBNZ the outlier of central banks?

We have all paid more tax than President Trump

You may recall the Democrats have been trying to obtain President Trump's tax records ever since he entered office, and now the NYTimes claims Trump *"paid \$750 in federal income taxes the year he won*

the presidency. In his first year in the White House, he paid another \$750. He had paid no income taxes at all in 10 of the previous 15 years — largely because he reported losing much more money than he made." But, do not worry — President Trump said it's all *"fake news!"*

With President Trump behind in the polls, White House advisor Navarro is *"working on a big report to Buy American."*

Meanwhile, the first Trump-Biden US election debate is on Tuesday 29 September at 9pm NY time, which is 2pm on Wednesday, NZ time.

As the Federal Reserve becomes more socially political (is that an oxymoron?), Fed member, Loretta J. Mester, stated *"opportunity and inclusion are important for achieving a strong economy."* She then reverted to economic matters with *"we're still in a deep hole and the economy is dependent on the virus,"* adding, *"we expect to remain accommodative for quite some time."*

Australia's DoI has announced it expects commodity exports to be worth upwards of AUD250 billion in the year ahead, with the price of iron ore to remain elevated for the next two years. It also expects Australia to become the world's largest gold producer.

Chinese industrial company profits rose for the 4th straight month rising 19.1% on the year to August, down a touch from July's +19.6% increase. Meanwhile, Chinese authorities have halted the imports of some frozen food products on COVID concerns.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

Tuesday 29 September 2020 | www.bancorp.co.nz

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.33					CAD	0.8773	0.9453
NZD/USD	0.6561	0.0000	-0.0001	-0.0001	0.0005	CHF	0.6066	0.6536
NZD/AUD	0.9281	-0.0001	-0.0003	-0.0007	0.0000	CNY	4.4685	4.8149
NZD/JPY	69.23	-0.03	-0.09	-0.20	-0.33	DKK	4.1876	4.5123
NZD/EUR	0.5625	-0.0004	-0.0012	-0.0025	-0.0043	FJD	1.4065	1.5155
NZD/GBP	0.5111	-0.0001	-0.0003	-0.0007	-0.0007	HKD	5.0845	5.4786
						KRW	766.12	825.52
AU TWI	60.30					MYR	2.7341	2.9460
AUD/USD	0.7069	0.0000	0.0002	0.0004	0.0005	NOK	6.2167	6.6986
AUD/NZD	1.0775	0.0001	0.0004	0.0008	0.0000	SEK	5.9348	6.3949
AUD/JPY	74.59	-0.02	-0.07	-0.16	-0.35	SGD	0.9002	0.9699
AUD/EUR	0.6060	-0.0004	-0.0010	-0.0022	-0.0046	TWD	19.12	20.61
AUD/GBP	0.5507	-0.0001	-0.0001	-0.0003	-0.0008	ZAR	11.1968	12.0648
USD Index	94.26							
EUR/USD	1.1664	0.0007	0.0023	0.0049	0.0097	EQUITIES		
USD/JPY	105.53	-0.04	-0.13	-0.28	-0.57		Index	
GBP/USD	1.2835	0.0002	0.0006	0.0015	0.0027	NZX50	11,802	
EUR/GBP	0.9088	0.0004	0.0014	0.0028	0.0057	ASX200	5,952	
						Dow Jones	27,654	
						S&P 500	3,360	
						FTSE100	5,928	
						DAX 30	12,871	
						Nikkei	23,512	
						COMMODITIES		
							USD	
						Dubai Light	40.64	
						Brent Crude	42.58	
						Gold	1,880.73	
						Silver	23.66	
						CRB Index	157.99	

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%	0.10%	0.05%
FRA 180d in 6mths	-0.03%	-0.05%	0.10%	0.06%
1 year swap*	0.13%	0.11%	0.09%	0.06%
2 year swap*	0.05%	0.02%	0.11%	0.09%
3 year swap*	0.04%	0.02%	0.14%	0.13%
5 year swap*	0.11%	0.08%	0.29%	0.27%
10 year swap*	0.49%	0.46%	0.75%	0.73%
10 year Govt bond		0.44%		0.77%

* 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.