



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Wednesday 30 September 2020 | [www.bancorp.co.nz](http://www.bancorp.co.nz)

CURRENCIES	Spot	6mths
NZD/USD	0.6591	-0.0002
NZD/AUD	0.9244	-0.0007
NZD/JPY	69.65	-0.20
NZD/EUR	0.5615	-0.0025
NZD/GBP	0.5124	-0.0007
NZD/CNH	4.4926	0.0551
AUD/USD	0.7130	0.0003
AUD/EUR	0.6074	-0.0022
EUR/USD	1.1739	0.0049
USD/CNH	7.1227	0.0852
GBP/USD	1.2864	0.0015
EUR/GBP	0.9125	0.0028

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.31%	0.09%
2 year swap	0.04%	0.11%
10 year Govt	0.45%	0.78%

## This afternoon the world stops

For the Presidential debate between Mr. Trump and Mr. Biden.

And in breaking news, the House Democrats USD2.2 trillion stimulus bill has been countered by the White House with a package worth USD1.5-1.6 trillion. While there is still some way to go to reaching an agreement, it is the closest they have been which will provide hope.

Fed member, John C. Williams, has said he is *“not worried about inflation, (the) Fed has proved it can reign it in,”* while Fed member, Loretta Mester, announced she expects the US unemployment to end year in the 7-8% range.

Ahead of the debate, we had some US data overnight, with the S&P CoreLogic Case-Shiller 20-city home price index rising 3.9% for the year to July, following on from June’s 3.5% increase.

That was followed by the preliminary estimate for the US trade deficit, which widened to USD 82.94 billion in August from a revised USD 80.11 billion in the previous month. It is the highest trade gap ever and was driven by higher imports as businesses try to rebuild inventories.

In amongst an easing market overnight, JPMorgan has predicted a 10% rally forecasting the S&P 500 will hit 3,750 by September 2021 with industrial and construction stocks the drivers.

JPMorgan has been fined more than USD920 million to settle claims of market manipulation involving two of the bank’s trading desks, the largest sanction ever tied to the illegal practice known as spoofing. Ah ... the good old days!

Overnight, global bourses traded in the red, although going into the close US markets rallied to close flat. This weakness didn’t filter through to the currency markets as we saw modest recoveries for the NZD and AUD as they climbed to 0.6590 and 0.7130 respectively against the USD.

Interestingly, oil was under the pump again with Brent and Crude each down 3.8%, while natural gas was smashed again to be down 9%. The 10 year Treasury is at 0.65%

## ‘Too big to fail’ ... almost fails

China’s ‘too big to fail’ real estate giant, Evergrande Group, has just pulled back from the brink of failing!

Chancellor, Angela Merkel, warned that a delay in the EU recovery fund is *“increasingly likely.”* The UK Times has reported *“hopes of Brexit deal rise as EU says it is ready to work on legal agreement.”*

Meanwhile the UK Prime Minister, Boris Johnson, is set to announce measures to help the unemployed retrain for jobs in growth sectors that will promise a *“lifetime skills guarantee.”* No doubt it will include important life skills such as making the perfect cucumber sandwich, the finest cup of tea, and learning to clap quietly for Wimbledon.

The BoJ’s September ‘Summary of Opinions’ reports CPI will likely fall further while household and corporate sentiment may also sour further. Interestingly it also noted that company reform to heighten productivity are crucial for inflation to hit the BoJ’s target.

G20 energy ministers are just wrapping up a 2-day virtual meeting which, to be honest, was a bit of a yawn fest. The headline was the ministers reaffirming their commitment to *“ensure that the energy sector continues to make a full, effective contribution to overcoming Covid-19.”*

No doubt the ministers are concerned all those CEOs will miss their bonus targets!

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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	71.49					<b>CAD</b>	0.8822	0.9543
NZD/USD	0.6591	0.0000	-0.0001	-0.0002	0.0004	<b>CHF</b>	0.6061	0.6556
NZD/AUD	0.9244	-0.0001	-0.0004	-0.0007	0.0000	<b>CNY</b>	4.4918	4.8591
NZD/JPY	69.65	-0.03	-0.11	-0.20	-0.33	<b>DKK</b>	4.1802	4.5221
NZD/EUR	0.5615	-0.0004	-0.0014	-0.0025	-0.0043	<b>FJD</b>	1.4060	1.5210
NZD/GBP	0.5124	-0.0001	-0.0005	-0.0007	-0.0007	<b>HKD</b>	5.1073	5.5249
						<b>KRW</b>	769.96	832.93
AU TWI	60.60					<b>MYR</b>	2.7379	2.9618
AUD/USD	0.7130	0.0000	0.0002	0.0003	0.0005	<b>NOK</b>	6.2122	6.7202
AUD/NZD	1.0818	0.0001	0.0004	0.0008	0.0000	<b>SEK</b>	5.9116	6.3951
AUD/JPY	75.35	-0.02	-0.09	-0.17	-0.36	<b>SGD</b>	0.9022	0.9760
AUD/EUR	0.6074	-0.0004	-0.0012	-0.0022	-0.0046	<b>TWD</b>	19.15	20.72
AUD/GBP	0.5542	-0.0001	-0.0003	-0.0004	-0.0008	<b>ZAR</b>	11.1439	12.0553
USD Index	93.89							
EUR/USD	1.1739	0.0008	0.0027	0.0049	0.0097	<b>EQUITIES</b>		
USD/JPY	105.69	-0.04	-0.15	-0.28	-0.57			<b>Index</b>
GBP/USD	1.2864	0.0002	0.0010	0.0015	0.0026	<b>NZX50</b>		11,742
EUR/GBP	0.9125	0.0005	0.0014	0.0028	0.0057	<b>ASX200</b>		5,952
						<b>Dow Jones</b>		27,514
						<b>S&amp;P 500</b>		3,347
						<b>FTSE100</b>		5,898
						<b>DAX 30</b>		12,826
						<b>Nikkei</b>		23,539
						<b>COMMODITIES</b>		
								<b>USD</b>
						<b>Dubai Light</b>		40.99
						<b>Brent Crude</b>		40.88
						<b>Gold</b>		1,896.33
						<b>Silver</b>		24.28
						<b>CRB Index</b>		155.90

  

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	0.25%	0.22%	0.11%	0.06%
FRA 180d in 6mths	-0.02%	-0.05%	0.11%	0.07%
1 year swap*	0.14%	0.11%	0.09%	0.08%
2 year swap*	0.06%	0.03%	0.11%	0.10%
3 year swap*	0.05%	0.03%	0.15%	0.14%
5 year swap*	0.12%	0.09%	0.30%	0.29%
10 year swap*	0.49%	0.47%	0.77%	0.75%
10 year Govt bond		0.44%		0.78%

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

SOURCE: Bloomberg

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