



# MARKET ALERT

Friday 4 September 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6706	-0.0003
NZD/AUD	0.9221	-0.0008
NZD/JPY	71.17	-0.25
NZD/EUR	0.5656	-0.0027
NZD/GBP	0.5050	-0.0008
NZD/CNH	4.5921	0.0528
AUD/USD	0.7273	0.0003
AUD/EUR	0.6133	-0.0024
EUR/USD	1.1858	0.0051
USD/CNH	7.1227	0.0820
GBP/USD	1.3280	0.0016
EUR/GBP	0.8929	0.0028

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.09%
2 year swap	0.07%	0.13%
10 year Govt	0.64%	0.91%

## It's a sea of red

We've not written that for a very long time ...

While most of the overnight data was mixed, investors have started to question the elevated equity valuations in the wake of weak economic fundamentals. Or, conversely, we're seeing profit taking ahead of tonight's US non-farm payroll data.

US initial claims fell to 881,000, its lowest level since the pandemic started, although the Labour Department has changed its seasonal adjustment methodology to smooth the swings in this number. Don't put it past the politicians to manipulate these numbers!

Meanwhile, the US trade deficit jumped to USD63.6 billion in July, against a forecast of USD58.0 billion, producing the largest trade gap since July 2008. June's deficit was also revised lower. We also had the non-manufacturing ISM print for August, which showed a moderation to 56.9 in August, from 58.1 in July, in line with market expectations of 57.0.

Fed San Francisco member, Mary Daly, stated that she *"does not see a pressing need to give further forward guidance on the rate path."* Ms Daly then added some thoughts about inflation averaging, noting that she *"does not want to be constrained by a rule on average inflation targeting."*

Fed member, Charles Evans, also weighed in with his opinion, stating that he *"would be comfortable with 2.5% inflation in the new framework,"* and that a highly accommodative policy was appropriate *"for some time to come."*

To summarise, equity markets are focusing on tech stocks, except this time they are getting hammered! Amazon is down 6%, Apple 8% and Tesla 10%, while the headline indices are showing the Dow is down 3.3%, the S&P 3.9%, and NASDAQ has been hit a whopping 5.6%. The 'risk' currencies have also eased back to give up some of their recent gains, with the NZD/USD at 0.6700 and the AUD/USD at 0.7270, while the US 10-year treasury yield eased to 0.63%

Australia's August PMIs saw the services sector contract to 48.1 (prior 58.2) while manufacturing flatlined at

53.9 (prior 54.0) Meanwhile, the Australian trade balance for August was good, with a AUD4.6 billion surplus, although it missed the forecast of AUD5.4 billion. Exports were down 4% for the month while imports were up 7%.

The NZ Commodity Price index for August fell 0.9% from July as lower dairy prices were partially offset by stronger prices for meat and aluminium. Wait ... New Zealand exports aluminium? Not for much longer I'm guessing!

Bank of Japan monetary policy board member, Goushi Kataoka, says there is a need to try to reduce downward pressure on prices, reiterating the central bank's long held desire to get inflation higher.

The French president, Emmanuel Macron, announced a EUR100 billion stimulus plan which is dubbed the 'French Relaunch' and includes wage subsidies, tax cuts for businesses and funding for environmental projects.

As if tech stocks weren't having a bad enough day, the US Justice Department is planning to bring an anti-trust case against Google.

## Let's get ready to ruuumble

US Secretary of State, Mike Pompeo, is back hammering China announcing new restrictions on the movement of Chinese diplomats in the US. Against this, China's Ministry of Foreign Affairs has *"called on the US to stop official interaction with Taiwan in all forms."*

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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	72.38					<b>CAD</b>	0.8802 0.9546
NZD/USD	0.6706	-0.0001	-0.0002	-0.0003	0.0001	<b>CHF</b>	0.6095 0.6610
NZD/AUD	0.9221	-0.0002	-0.0004	-0.0008	-0.0002	<b>CNY</b>	4.5927 4.9807
NZD/JPY	71.17	-0.04	-0.11	-0.25	-0.41	<b>DKK</b>	4.2081 4.5636
NZD/EUR	0.5656	-0.0004	-0.0012	-0.0027	-0.0046	<b>FJD</b>	1.4098 1.5289
NZD/GBP	0.5050	-0.0002	-0.0004	-0.0008	-0.0009	<b>HKD</b>	5.1972 5.6363
						<b>KRW</b>	799.13 866.65
AU TWI	62.30					<b>MYR</b>	2.7973 3.0336
AUD/USD	0.7273	0.0001	0.0002	0.0003	0.0002	<b>NOK</b>	5.9793 6.4844
AUD/NZD	1.0845	0.0002	0.0005	0.0009	0.0002	<b>SEK</b>	5.8570 6.3518
AUD/JPY	77.19	-0.03	-0.09	-0.20	-0.43	<b>SGD</b>	0.9151 0.9924
AUD/EUR	0.6133	-0.0004	-0.0011	-0.0024	-0.0049	<b>TWD</b>	19.71 21.38
AUD/GBP	0.5476	-0.0001	-0.0001	-0.0004	-0.0008	<b>ZAR</b>	11.2266 12.1750
USD Index	92.77						
EUR/USD	1.1858	0.0008	0.0023	0.0051	0.0099	<b>EQUITIES</b>	
USD/JPY	106.14	-0.05	-0.14	-0.32	-0.62		<b>Index</b>
GBP/USD	1.3280	0.0003	0.0006	0.0016	0.0024	<b>NZX50</b>	12,055
EUR/GBP	0.8929	0.0004	0.0013	0.0028	0.0058	<b>ASX200</b>	6,113
						<b>Dow Jones</b>	28,306
						<b>S&amp;P 500</b>	3,443
						<b>FTSE100</b>	5,851
						<b>DAX 30</b>	13,058
						<b>Nikkei</b>	23,466
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	42.88
						<b>Brent Crude</b>	43.96
						<b>Gold</b>	1,930.23
						<b>Silver</b>	26.56
						<b>CRB Index</b>	159.78

  

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%	0.11%	0.07%
FRA 90d in 3mths	0.27%	0.24%	0.13%	0.08%
FRA 180d in 6mths	0.02%	-0.01%	0.14%	0.10%
1 year swap*	0.14%	0.11%	0.11%	0.10%
2 year swap*	0.09%	0.06%	0.14%	0.13%
3 year swap*	0.09%	0.06%	0.18%	0.17%
5 year swap*	0.18%	0.15%	0.35%	0.34%
10 year swap*	0.60%	0.57%	0.81%	0.80%
10 year Govt bond		0.62%		0.91%

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

SOURCE: Bloomberg

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