



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 8 September 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6691	-0.0002
NZD/AUD	0.9196	-0.0007
NZD/JPY	71.13	-0.24
NZD/EUR	0.5665	-0.0027
NZD/GBP	0.5081	-0.0008
NZD/CNH	4.5716	0.0533
AUD/USD	0.7277	0.0003
AUD/EUR	0.6160	-0.0024
EUR/USD	1.1813	0.0051
USD/CNH	7.1227	0.0821
GBP/USD	1.3169	0.0016
EUR/GBP	0.8970	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.09%
2 year swap	0.05%	0.13%
10 year Govt	0.62%	0.97%

US holiday keeps markets quiet

With the US Labour Day holiday, or Labor Day holiday if you actually are an American, markets were quiet overnight. European equity indices saw solid gains in the 1.0-2.0% territory, while commodity markets continued their recent bout of weakness, with crude and Brent off 1.7% and 1.4% respectfully.

Currency markets saw a slight firming of the USD against the majors, which followed through to the antipodean currencies, with the NZD/USD at 0.6690 and the AUD/USD at 0.7280.

You can't keep a good man down and, given the holiday, President Trump spoke at a White House news conference.

In keeping the pressure on China, he raised the possibility of decoupling the US economy from China and that "*China faces decoupling or massive tariffs from the US.*" He then finished with, "*the WTO has become much better, much nicer to US,*" and that "*we may have a vaccine before the election.*"

China retaliated with, "*The US is blatantly bullying Chinese companies!*"

All the talk on trade wars hasn't stopped Chinese exporters, as highlighted by the Chinese trade balance, which came in at a whopping CNY416.6 billion, well up on the forecast CNY386 billion, as exports grew 11.6% and imports fell -0.5%.

Another Brexit deadline

Brexit seems to be 'hitting the wall' at an alarming pace. First up was a report that the EU wanted to retain a veto option on UK laws and regulations post Brexit, which kind of defeats the purpose of Britain leaving the EU!

We then had the UK's PM Johnson reportedly set an October 15 deadline for a Brexit deal.

Finally, the UK's chief Brexit negotiator, David Frost, stated that the "*UK is not afraid to walk away from talks*" and that there was "*less than a 20% chance of a deal.*" The words 'car' and 'crash' spring to mind!

This weighed on the GBP overnight as various European leaders waded into the debate with their 2 pennies, or 2 euros worth. The NZD/GBP is currently at 0.5080. All this talk on Brexit has not put a handbrake on UK house prices, which had another stellar month in July, rallying 1.6%.

It was a slightly different story in Germany though as July's industrial production numbers rallied 1.2% on the month, which is good, although it underperformed the 4.5% forecast.

The Australian government has been busy, signing up manufacturing agreements to manufacture the Oxford (AstraZeneca) and Queensland vaccines at a cost of AUD1.7 billion.

Softbank, the Japanese bank that has made massive investments into tech start-ups, announced that they recently purchased nearly USD4 billion of stock option premiums in tech giants such as Amazon, Microsoft, Netflix and Tesla, regulatory filings showed. Unfortunately, these 'whale' options bets unnerved retail investors concerned the group is increasingly behaving more like a risk-hungry hedge fund, which saw them dump Softbank stock to the value of USD8.9 billion.

US executives sold USD6.7 billion of stock in their own companies last month, cashing in on a record breaking market rally with the biggest burst of selling in five years.

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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	72.23					CAD	0.8762 0.9529
NZD/USD	0.6691	-0.0001	-0.0001	-0.0002	0.0003	CHF	0.6131 0.6667
NZD/AUD	0.9196	-0.0002	-0.0004	-0.0007	0.0000	CNY	4.5706 4.9704
NZD/JPY	71.13	-0.04	-0.11	-0.24	-0.39	DKK	4.2147 4.5834
NZD/EUR	0.5665	-0.0004	-0.0012	-0.0027	-0.0045	FJD	1.4109 1.5343
NZD/GBP	0.5081	-0.0001	-0.0003	-0.0008	-0.0008	HKD	5.1861 5.6398
						KRW	794.53 864.05
AU TWI	62.10					MYR	2.7848 3.0284
AUD/USD	0.7277	0.0001	0.0002	0.0003	0.0003	NOK	5.9841 6.5076
AUD/NZD	1.0875	0.0002	0.0005	0.0008	0.0000	SEK	5.8708 6.3844
AUD/JPY	77.35	-0.03	-0.08	-0.20	-0.43	SGD	0.9144 0.9944
AUD/EUR	0.6160	-0.0004	-0.0011	-0.0024	-0.0049	TWD	19.64 21.36
AUD/GBP	0.5526	-0.0001	-0.0001	-0.0005	-0.0009	ZAR	11.1984 12.1781
USD Index	93.06						
EUR/USD	1.1813	0.0008	0.0024	0.0051	0.0100	EQUITIES	
USD/JPY	106.30	-0.05	-0.14	-0.32	-0.63		Index
GBP/USD	1.3169	0.0003	0.0006	0.0016	0.0026	NZX50	11,859
EUR/GBP	0.8970	0.0004	0.0014	0.0028	0.0058	ASX200	5,945
						Dow Jones	28,133
						S&P 500	3,427
						FTSE100	5,937
						DAX 30	13,100
						Nikkei	23,090

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	0.28%	0.25%	0.14%	0.09%
FRA 180d in 6mths	0.01%	-0.02%	0.15%	0.11%
1 year swap*	0.14%	0.11%	0.13%	0.09%
2 year swap*	0.07%	0.04%	0.14%	0.12%
3 year swap*	0.07%	0.05%	0.18%	0.17%
5 year swap*	0.16%	0.14%	0.38%	0.36%
10 year swap*	0.58%	0.56%	0.88%	0.86%
10 year Govt bond		0.60%		0.97%

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

COMMODITIES	
	USD
Dubai Light	41.50
Brent Crude	42.01
Gold	1,925.22
Silver	26.70
CRB Index	159.01

SOURCE: Bloomberg

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