



MARKET ALERT

Wednesday 9 September 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6623	-0.0002
NZD/AUD	0.9178	-0.0007
NZD/JPY	70.25	-0.24
NZD/EUR	0.5622	-0.0026
NZD/GBP	0.5100	-0.0008
NZD/CNH	4.5393	0.0525
AUD/USD	0.7216	0.0004
AUD/EUR	0.6125	-0.0024
EUR/USD	1.1781	0.0053
USD/CNH	7.1227	0.0811
GBP/USD	1.2989	0.0018
EUR/GBP	0.9070	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.09%
2 year swap	0.02%	0.13%
10 year Govt	0.62%	0.97%

US stocks tumble for a third day

Technology shares came under continued selling pressure following their worst sell-off in more than five months last week, with the knock-on effects filtering through to the main indices.

At the time of writing, the Dow is on its session lows down 2.25%, the S&P500 is down 2.70%, and the Nasdaq Composite has fallen 4.50%, essentially giving up the last months gains.

It was a similar story in Europe with indices down 1-2%, while Asian markets performed better and overall were mixed.

In terms of a catalyst, there was nothing in particular. Sure, the US economic optimism index fell to 45 in September, remaining in negative territory for a sixth consecutive month, but the August number was just as pessimistic at 46.8. More than likely it is a mix of tech profit taking, the realisation that the COVID pandemic still has a lot of momentum, and, possibly election uncertainty.

This uncertainty has weighed on the commodity currencies, with the NZD/USD at 0.6615 and the AUD/USD at 0.7215. The NZD/AUD has cracked the 0.9200 level to be at 0.9170. Commodities are also a sea of red with crude oil off 6.75% and Brent crude down 6.00%, but don't worry, cocoa has fallen 17.70% overnight so chocolate is going to be a whole lot cheaper very soon!

A lot of Brexit huffing and puffing

UK Prime Minister, Boris Johnson, will tell EU leaders that the Brexit deal never made sense, while German Finance Minister, Olaf Scholz, remarked the *"latest signals from London do not raise hopes for a Brexit agreement."*

This has seen the GBP get hit hard with GBP/USD breaking below the 1.30 level to be at 1.2990 and NZD/GBP up to 0.5095.

In amongst this, BoE chief economist, Andy Haldane, has warned against a furlough extension, while UK consumer

sentiment improved as spending increased by 3.9% for the August year — an improvement on July's 3.2% increase.

Eurozone Q2 GDP fell 11.8%, slightly less than initial estimates of a 12.1% fall, but still the biggest contraction on record.

The *Australian Financial Review* has reported that the Australian government will direct commercial banks to buy up to AUD240 billion of federal and state debt in an effort to normalise emergency bank liquidity, to lower government borrowing costs, and to encourage stimulus spending on infrastructure and other programs.

Yoshihide Suga, the frontrunner to succeed Shinzo Abe as the next Japanese Prime Minister, stated that Abenomics will continue although yesterday's data releases weren't good. Q2 GDP contracted 7.9%, while July household spending declined an ugly 7.6% for the year.

D'oh!

Citibank's relationships with their hedge fund clients has started to unravel over a dispute about Revlon debt, and an erroneous USD900 million payment.

The accidental payment was made by Citibank to investors after they helped billionaire investor, Ron Perelman, restructure corporate loans for the cosmetics company that investors did not agree with. While Citibank continues to ask for the funds back, the investors, who didn't agree with the deal, are refusing to pay.

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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	71.73					CAD	0.8759 0.9546
NZD/USD	0.6623	0.0000	-0.0001	-0.0002	0.0003	CHF	0.6077 0.6623
NZD/AUD	0.9175	-0.0002	-0.0004	-0.0007	-0.0001	CNY	4.5339 4.9415
NZD/JPY	70.24	-0.04	-0.11	-0.24	-0.39	DKK	4.1833 4.5595
NZD/EUR	0.5622	-0.0005	-0.0012	-0.0026	-0.0045	FJD	1.4002 1.5261
NZD/GBP	0.5097	-0.0001	-0.0003	-0.0008	-0.0009	HKD	5.1330 5.5946
						KRW	787.89 858.74
AU TWI	62.20					MYR	2.7813 3.0313
AUD/USD	0.7218	0.0001	0.0002	0.0004	0.0004	NOK	6.0463 6.5899
AUD/NZD	1.0899	0.0002	0.0005	0.0008	0.0001	SEK	5.8486 6.3744
AUD/JPY	76.55	-0.03	-0.08	-0.20	-0.42	SGD	0.9076 0.9892
AUD/EUR	0.6127	-0.0004	-0.0011	-0.0024	-0.0049	TWD	19.42 21.17
AUD/GBP	0.5555	-0.0001	-0.0001	-0.0005	-0.0010	ZAR	11.2152 12.2237
USD Index	93.42						
EUR/USD	1.1780	0.0009	0.0024	0.0053	0.0101	EQUITIES	
USD/JPY	106.06	-0.05	-0.15	-0.34	-0.64		Index
GBP/USD	1.2993	0.0003	0.0007	0.0018	0.0030	NZX50	11,896
EUR/GBP	0.9066	0.0005	0.0014	0.0028	0.0057	ASX200	6,008
						Dow Jones	27,586
						S&P 500	3,350
						FTSE100	5,930
						DAX 30	12,968
						Nikkei	23,274
						COMMODITIES	
							USD
						Dubai Light	40.65
						Brent Crude	40.09
						Gold	1,933.25
						Silver	26.64
						CRB Index	155.08

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%	0.23%	0.14%	0.09%
FRA 180d in 6mths	-0.02%	-0.05%	0.15%	0.11%
1 year swap*	0.13%	0.10%	0.12%	0.09%
2 year swap*	0.04%	0.01%	0.14%	0.12%
3 year swap*	0.04%	0.01%	0.18%	0.17%
5 year swap*	0.14%	0.11%	0.36%	0.35%
10 year swap*	0.58%	0.55%	0.83%	0.82%
10 year Govt bond		0.60%		0.97%

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

SOURCE: Bloomberg

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