



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Thursday 1 October 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6611	-0.0001
NZD/AUD	0.9230	-0.0006
NZD/JPY	69.73	-0.20
NZD/EUR	0.5641	-0.0025
NZD/GBP	0.5122	-0.0006
NZD/CNH	4.4851	0.0543
AUD/USD	0.7163	0.0003
AUD/EUR	0.6112	-0.0023
EUR/USD	1.1719	0.0049
USD/CNH	7.1227	0.0835
GBP/USD	1.2906	0.0014
EUR/GBP	0.9080	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.31%	0.09%
2 year swap	0.06%	0.11%
10 year Govt	0.50%	0.79%

If you fancy a laugh, watch a Presidential debate

It played out to the prepared script, but it is the best romcom on TV. I cannot wait until the next episode in 8 days time.

Humour aside, the debate did generate a risk off sentiment as equity futures gave up their gains and reverted into negative territory, while we also saw safe haven flows into the JPY. This also saw the NZD/USD fall to session lows in our time zone. On a side note, Joe Biden raised USD3.8 million, a record, in the hour after the debate.

Despite the risk off move during the debate, the S&P 500 Index rose to a two week high as investors focused on the proposal for USD1.5 trillion in pandemic aid, the 10 year Treasury rose to 0.69% and gold weakened 0.3%. Currently, the NZD and AUD are up, sitting at 0.6614 and 0.7161 respectively.

The GBP outperformed overnight as the latest headlines out of the Brexit negotiations were positive and BoE's chief economist, Andy Haldane, said that none of the conditions for negative rates had yet been met. The NZD/GBP dipped to 0.5105.

The US Treasury has confirmed it will provide Care loans directly to the 7 major airlines.

While the *NY Times* claims Trump paid USD750 in income taxes the year he won the presidency and USD750 in his first year in the White House. Joe Biden has released his tax returns that show the Bidens paid more than USD346,000 in federal taxes and other payments on income of nearly USD985,000, before seeking a refund of USD47,000 on claims they overpaid.

Business confidence 'improves' ahead of election

The New Zealand business survey for September highlighted that business confidence had 'improved' from -41.8 to -28.5, while the own activity outlook also improved from -17.5 to -5.4.

The agriculture and construction sectors are the most optimistic about their own outlook, while services and retail are the most pessimistic. The NZ August building approvals added to the positivity, printing at +0.3% on the month against an expected -4.5%.

Japanese retail sales put in a stellar performance for August with a 4.6% jump on the month against an expected 2.0% increase, although on an annualised basis, sales contracted 1.9%. A poor result but better than the expected -4.5%. Meanwhile, August Japanese industrial production numbers exceeded expectations at 1.7% on the month, when a 1.4% increase was expected.

By all accounts, the WTO has signed off on the EU imposing USD4 billion of tariffs on US goods imports.

The World Bank is seeking board approval for a USD12 billion COVID vaccine financing plan to help poor and developing countries.

While JP Morgan are long gold as a strategic trade (or is this from their 'spoofing desk?'), CitiBank and HSBC have both tipped central banks to increase their gold holdings in 2021. Citi and HSBC are forecasting central banks to purchase 450 and 400 tonnes respectively. Reminds me of *Die Hard 3!*

Disney is to lay off 28,000 employees as COVID hits the theme park business.

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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	71.54					CAD	0.8803	0.9537
NZD/USD	0.6611	0.0000	-0.0001	-0.0001	0.0005	CHF	0.6089	0.6597
NZD/AUD	0.9230	-0.0001	-0.0003	-0.0006	0.0001	CNY	4.4894	4.8641
NZD/JPY	69.73	-0.02	-0.10	-0.20	-0.32	DKK	4.1999	4.5505
NZD/EUR	0.5641	-0.0004	-0.0013	-0.0025	-0.0042	FJD	1.4128	1.5308
NZD/GBP	0.5122	-0.0001	-0.0004	-0.0006	-0.0006	HKD	5.1233	5.5510
						KRW	770.43	834.74
AU TWI	60.70					MYR	2.7346	2.9629
AUD/USD	0.7163	0.0000	0.0002	0.0003	0.0004	NOK	6.1758	6.6914
AUD/NZD	1.0835	0.0001	0.0004	0.0007	-0.0001	SEK	5.9232	6.4176
AUD/JPY	75.55	-0.02	-0.08	-0.16	-0.36	SGD	0.9026	0.9779
AUD/EUR	0.6112	-0.0004	-0.0012	-0.0023	-0.0046	TWD	19.18	20.78
AUD/GBP	0.5550	-0.0001	-0.0002	-0.0003	-0.0007	ZAR	11.0491	11.9715
USD Index	93.88							
EUR/USD	1.1719	0.0007	0.0026	0.0049	0.0096	EQUITIES		
USD/JPY	105.49	-0.04	-0.14	-0.28	-0.56		Index	
GBP/USD	1.2906	0.0002	0.0009	0.0014	0.0025	NZX50	11,747	
EUR/GBP	0.9080	0.0004	0.0014	0.0028	0.0057	ASX200	5,816	
						Dow Jones	27,821	
						S&P 500	3,358	
						FTSE100	5,866	
						DAX 30	12,761	
						Nikkei	23,185	
						COMMODITIES		
							USD	
						Dubai Light	39.31	
						Brent Crude	42.08	
						Gold	1,889.11	
						Silver	23.36	
						CRB Index	157.76	

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	0.26%	0.23%	0.11%	0.06%
FRA 180d in 6mths	-0.01%	-0.03%	0.12%	0.08%
1 year swap*	0.14%	0.11%	0.09%	0.08%
2 year swap*	0.07%	0.05%	0.11%	0.10%
3 year swap*	0.07%	0.05%	0.14%	0.14%
5 year swap*	0.15%	0.12%	0.30%	0.29%
10 year swap*	0.52%	0.50%	0.79%	0.77%
10 year Govt bond		0.49%		0.79%

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

SOURCE: Bloomberg

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