



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 12 October 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6650	-0.0001
NZD/AUD	0.9219	-0.0006
NZD/JPY	70.41	-0.18
NZD/EUR	0.5633	-0.0023
NZD/GBP	0.5106	-0.0005
NZD/CNH	4.4471	0.0566
AUD/USD	0.7213	0.0004
AUD/EUR	0.6109	-0.0022
EUR/USD	1.1807	0.0048
USD/CNH	7.1227	0.0858
GBP/USD	1.3026	0.0012
EUR/GBP	0.9064	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.28%	0.08%
2 year swap	0.03%	0.09%
10 year Govt	0.54%	0.85%

Confused? It's little wonder.

Allegedly President Trump told the House minority leader he wanted a 'big deal' on stimulus, but then advised Senate Majority Leader, Mitch McConnell, to call off all talks, before White House spokesperson Farah stated that, "President Trump wants a skinny coronavirus relief bill."

In amongst this, the Secretary of Treasury, Steven Mnuchin, and White House Chief of Staff, Mark Meadows, have sent a letter to Congress calling for the immediate passage of a COVID relief bill using leftover Payroll Protection Program ("PPP") funds to fund the deal. By all accounts, of the original USD310 billion

that was allocated to the PPP, USD130 billion is still available. And, according to the letter, President Trump is available to meet with Congress to discuss this stimulus!

Unfortunately, House Speaker Nancy Pelosi said of the administration's stimulus offer "this proposal amounted to one step forward, two steps back!"

Ultimately, the implications of additional stimulus were probably best summed up by Fed Dallas President, Robert Kaplan, when he said "If there's no more fiscal relief, the recovery will slow." And with the Fed already buying a significant amount of bonds, Kaplan would be sceptical of the Fed increasing their QE programme further.

In amongst the political ramifications of further US stimulus and the upcoming elections, the US dollar index posted its second weekly loss on Friday forcing the NZD/USD and AUD/USD to rally to 0.6670 and 0.7220 respectfully. Meanwhile, equity markets maintained their optimistic tone to close in green territory on Friday for the Dow to book its best week since August, although bourses were a little mixed in Europe. The 10-year treasury bond closed at 0.78%

Where to from here?

Ultimately the question becomes 'where to from here?' Unfortunately, the current trading environment will continue to be influenced by the knee-jerk political

ramifications of the whether the next round of US stimulus gets passed before, or after the US election. One thing that is certain though is that there will be further stimulus after the election regardless of who becomes President.

From a currency and interest rate perspective, this means the NZD and AUD will continue to ebb and flow on a headline-by-headline basis with volatility remaining at elevated levels. While the RBNZ will continue to try and limit the NZD's strength, the currency will predominately be driven by international developments.

Best of the rest

In its quarterly outlook report, HSBC has announced the global economy is about to enter a second, flatter, phase of a two-stage 'swoosh-shaped' recovery in which growth is set to moderate, operating at 90-95% of pre-COVID levels over the next six to 12 months.

President Trump announced, "It looks like I am immune" after his doctor stated he is no longer considered a transmission risk to others. UK Chancellor, Sishi Sunak, is expected to announce local furlough plans that will pay two-thirds of affected workers wages.

The NZ September truckometer highlighted a slow return to normality following the Auckland lockdown with an increase in heavy traffic to +4.1% from the previous months 6.5% contraction.

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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	71.45					CAD	0.8743	0.9484
NZD/USD	0.6650	0.0000	0.0000	-0.0001	0.0007	CHF	0.6058	0.6571
NZD/AUD	0.9219	-0.0001	-0.0003	-0.0006	0.0003	CNY	4.4656	4.8439
NZD/JPY	70.41	-0.02	-0.09	-0.18	-0.29	DKK	4.1913	4.5463
NZD/EUR	0.5633	-0.0004	-0.0012	-0.0023	-0.0040	FJD	1.4150	1.5349
NZD/GBP	0.5106	-0.0001	-0.0003	-0.0005	-0.0004	HKD	5.1534	5.5900
						KRW	762.65	827.26
AU TWI	60.80					MYR	2.7418	2.9741
AUD/USD	0.7213	0.0000	0.0002	0.0004	0.0006	NOK	6.0823	6.5975
AUD/NZD	1.0847	0.0001	0.0004	0.0007	-0.0003	SEK	5.8577	6.3539
AUD/JPY	76.33	-0.02	-0.07	-0.15	-0.33	SGD	0.9017	0.9780
AUD/EUR	0.6109	-0.0004	-0.0011	-0.0022	-0.0045	TWD	19.10	20.72
AUD/GBP	0.5538	0.0000	-0.0001	-0.0002	-0.0006	ZAR	10.9501	11.8778
USD Index	93.06					EQUITIES		
EUR/USD	1.1807	0.0008	0.0025	0.0048	0.0097		Index	
USD/JPY	105.82	-0.04	-0.13	-0.26	-0.55	NZX50	12,281	
GBP/USD	1.3026	0.0002	0.0007	0.0012	0.0025	ASX200	6,102	
EUR/GBP	0.9064	0.0005	0.0014	0.0028	0.0057	Dow Jones	28,587	
						S&P 500	3,477	
						FTSE100	6,017	
						DAX 30	13,051	
						Nikkei	23,620	
						COMMODITIES		
							USD	
						Dubai Light	40.75	
						Brent Crude	42.85	
						Gold	1,929.48	
						Silver	25.13	
						CRB Index	161.20	

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	0.30%	0.26%	0.10%	0.06%
FRA 90d in 3mths	0.22%	0.18%	0.09%	0.04%
FRA 180d in 6mths	-0.04%	-0.06%	0.10%	0.06%
1 year swap*	0.12%	0.08%	0.08%	0.06%
2 year swap*	0.04%	0.01%	0.10%	0.09%
3 year swap*	0.04%	0.01%	0.13%	0.13%
5 year swap*	0.12%	0.09%	0.29%	0.29%
10 year swap*	0.52%	0.49%	0.79%	0.77%
10 year Govt bond		0.53%		0.85%

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