



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Monday 19 October 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6620	0.0001
NZD/AUD	0.9340	-0.0005
NZD/JPY	69.76	-0.17
NZD/EUR	0.5646	-0.0023
NZD/GBP	0.5115	-0.0005
NZD/CNH	4.4307	0.0599
AUD/USD	0.7086	0.0005
AUD/EUR	0.6045	-0.0021
EUR/USD	1.1721	0.0048
USD/CNH	7.1227	0.0899
GBP/USD	1.2893	0.0013
EUR/GBP	0.9091	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.28%	0.08%
2 year swap	0.03%	0.08%
10 year Govt	0.53%	0.72%

## The red wave rises

The weekend's landslide election victory for Labour has given them a clear mandate ... to continue on as they have been, and to do it without the Greens. The election result is unlikely to change the broad economic policy settings of the existing administration and should keep New Zealand business owners and leaders relatively happy, although they will incur higher administrative and operating costs.

From a financial markets perspective, we expect we won't see too much change. The Finance Minister and the Reserve Bank Governor have been working well in tandem, and we can expect that to

continue given their similar ideology. With a clear mandate and little or no interference from the 'Green wing', the market should see a reduction in risk pricing, which should cap NZD weakness, but, with a US election and negative interest rates on the horizon, we would imagine the market will look through this event and start focusing on the upcoming events.

Friday night saw US retail sales jump 1.9% in September to record their biggest rise in 3 months, although industrial production fell 0.6%, for its first decline in 5 months. In amongst this, the US also posted a budget deficit of USD125 billion in September, compared with an USD83 billion surplus in the same period last year. Market expectations were for a USD124 billion gap.

This mixed bag of data saw US equities remain flat, although European markets had put in a good shift with bourses up 1.0-2.0%. Commodity prices were broadly weak, and the 10-year Treasury closed the week at 0.745%. This morning, the NZD and AUD have both opened flat at 0.6605 and 0.7090 respectively, although the NZD/AUD has popped to 0.9335.

## Show me the money

Leading into the last leg of the US election, following on from the Biden campaign announcing they had raised more than USD380 million in

September, and they now have more than USD430 million in campaign cash on hand, the Trump campaign has stated they have USD251 million cash on hand after raising USD247 million in September.

The NZ Business manufacturing PMI for September printed at a stellar 54.0, up on our long term of 53.0 and better than the previous 50.7, but, a word of warning, it was off a very low basis.

Fed member, Neel Kashkari, warned that the big banks need higher, not lower, capital, before adding that Fed buying of equities is "a bridge too far."

Moody's has downgraded the UK credit rating to Aa3 from Aa2, with a stable outlook.

Rumours abound that Switzerland will be named by the US as a currency manipulator this month.

The WHO announced that a remdesivir, hydroxychloroquine, lopinavir and interferon COVID trial of 11,266 patients, "appeared to have little effect on in-hospital mortality," and "found that none of the treatments 'substantially affected mortality' or reduced the need to ventilate patients." This saw shares in the manufacture, Gilead, plummet 20.0%.

The Chinese ambassador to Canada has threatened the 'health and safety' of 300,000 Canadians living in Hong Kong. Yes, you read that correctly! This follows on from the Canadian government granting asylum to Hong Kong democracy activists.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# DAILY RATES

Monday 19 October 2020 | www.bancorp.co.nz

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.36					CAD	0.8706	0.9321
NZD/USD	0.6620	0.0000	0.0000	0.0001	0.0008	CHF	0.6056	0.6483
NZD/AUD	0.9340	0.0000	-0.0003	-0.0005	0.0002	CNY	4.4228	4.7353
NZD/JPY	69.76	-0.02	-0.08	-0.17	-0.28	DKK	4.2030	4.4999
NZD/EUR	0.5646	-0.0004	-0.0012	-0.0023	-0.0039	FJD	1.4090	1.5085
NZD/GBP	0.5115	0.0000	-0.0003	-0.0005	-0.0003	HKD	5.1298	5.4923
						KRW	754.43	807.74
AU TWI	60.00					MYR	2.7391	2.9326
AUD/USD	0.7086	0.0001	0.0003	0.0005	0.0008	NOK	6.2070	6.6456
AUD/NZD	1.0707	0.0001	0.0004	0.0006	-0.0002	SEK	5.8677	6.2823
AUD/JPY	74.67	-0.02	-0.06	-0.14	-0.31	SGD	0.8991	0.9626
AUD/EUR	0.6045	-0.0003	-0.0011	-0.0021	-0.0043	TWD	19.04	20.38
AUD/GBP	0.5496	0.0000	-0.0001	-0.0002	-0.0005	ZAR	10.9620	11.7366
USD Index	93.68							
EUR/USD	1.1721	0.0008	0.0025	0.0048	0.0097	<b>EQUITIES</b>		
USD/JPY	105.39	-0.04	-0.13	-0.26	-0.55		<b>Index</b>	
GBP/USD	1.2893	0.0002	0.0007	0.0013	0.0025	NZX50	12,433	
EUR/GBP	0.9091	0.0005	0.0014	0.0029	0.0057	ASX200	6,177	
						Dow Jones	28,606	
						S&P 500	3,484	
						FTSE100	5,920	
						DAX 30	12,909	
						Nikkei	23,411	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	40.50	
						Brent Crude	42.93	
						Gold	1,898.54	
						Silver	24.14	
						CRB Index	160.92	

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.29%	0.25%	0.08%	0.08%
90 day bank bills	0.30%	0.26%	0.10%	0.06%
FRA 90d in 3mths	0.20%	0.16%	0.09%	0.04%
FRA 180d in 6mths	-0.04%	-0.06%	0.08%	0.04%
1 year swap*	0.10%	0.07%	0.07%	0.06%
2 year swap*	0.05%	0.02%	0.09%	0.08%
3 year swap*	0.04%	0.01%	0.11%	0.11%
5 year swap*	0.11%	0.08%	0.25%	0.23%
10 year swap*	0.48%	0.44%	0.69%	0.67%
10 year Govt bond		0.52%		0.72%

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

SOURCE: Bloomberg

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.