



# MARKET ALERT

Friday 2 October 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6652	-0.0001
NZD/AUD	0.9250	-0.0006
NZD/JPY	70.19	-0.20
NZD/EUR	0.5662	-0.0024
NZD/GBP	0.5158	-0.0006
NZD/CNH	4.4897	0.0547
AUD/USD	0.7191	0.0003
AUD/EUR	0.6121	-0.0022
EUR/USD	1.1748	0.0048
USD/CNH	7.1227	0.0835
GBP/USD	1.2895	0.0013
EUR/GBP	0.9110	0.0028
INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.29%	0.09%
2 year swap	0.07%	0.11%
10 year Govt	0.52%	0.90%

## A dog’s Brexit

As if Brexit wasn’t a dog’s breakfast enough, the EU has announced it will launch legal proceedings against the UK over Boris Johnson’s plan to breach terms of its Brexit divorce deal and break international law.

*“The commission has decided to send a letter of formal notice to the UK government,”* European Commission President, Ursula von der Leyen, announced. *“This draft bill is by its very nature a breach of the obligation of good faith laid down in the Withdrawal Agreement.”*

The letter is the first step in proceedings that could end up as a lawsuit in the European Court of Justice, which sounds scary enough.

Mr Johnson’s office said it would *“respond to the letter in due course.”*

Of course, this may all be academic as the law has to pass the House of Lords first. Johnson has been criticised for the bill which would override parts of the withdrawal agreement that he signed. All five living ex-UK Prime Ministers have been critical of the plan. It’s a risky game for Johnson, who doesn’t have a majority in the House of Lords. He is trying to get leverage to negotiate better terms for the withdrawal from the EU. Regardless of the outcome, the UK could still crash out of the UK without a deal on 31st December.

This caused the GBP to slip against the USD and, while this letter is of no immediate consequence, it does highlight that tensions are high as trade negotiations enter a critical phase. However the EU has announced they will not halt Brexit talks despite the legal threat.

Elsewhere in the EU, manufacturing PMI surveys showed the bloc was continuing to rebound before the second wave of cases made all of the data somewhat irrelevant. France’s manufacturing sector printed at 51.2 and Germany’s increased to 56.4 in September.

Europe’s big banks are set to cut 2,500 branches as clients use online platforms in the wake of COVID-19.

US equities were flat on pessimism that Democratic lawmakers and the White House will reach a deal for a fresh stimulus package. European and Asian stocks and gold climbed while Treasury

yields held steady. Oil slipped 2% over the concerns around oversupply.

The commodity currencies had a stellar performance overnight as the NZD/USD shot to 0.6650 and the AUD/USD breached 0.7200.

House prices in New Zealand rose 7.6% for the year after ticking up 0.8% in August.

US ISM Manufacturing slipped from 56.0 to 55.4 in September, however the details were promising, suggesting factories are adjusting to the pandemic operating environment.

## Not a hack

The Tokyo Stock Exchange was down which scrapped trading for the entire day which is the last thing that Japan needs, as it tries to reinvent Tokyo as the global financial hub.

The shutdown sounds awfully similar to the hack that caused the NZX problems for a week, however, the Japan Exchange Group quickly pointed out that the halt wasn’t connected to cyber attackers. Apparently it was a technical glitch that was made worse as a backup system failed to kick in after a hardware malfunction.

## Better late than never

Better late than never, President Trump has signed the spending bill, after missing the midnight deadline, extending funding until early December. This ensures there will no government shutdowns as the new fiscal year starts.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# DAILY RATES

Friday 2 October 2020 | www.bancorp.co.nz

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.89					CAD	0.8829	0.9545
NZD/USD	0.6652	0.0000	0.0000	-0.0001	0.0005	CHF	0.6111	0.6607
NZD/AUD	0.9250	-0.0001	-0.0003	-0.0006	0.0001	CNY	4.5167	4.8832
NZD/JPY	70.19	-0.02	-0.10	-0.20	-0.32	DKK	4.2142	4.5561
NZD/EUR	0.5662	-0.0004	-0.0013	-0.0024	-0.0042	FJD	1.4124	1.5271
NZD/GBP	0.5158	-0.0001	-0.0004	-0.0006	-0.0006	HKD	5.1547	5.5729
						KRW	773.94	836.74
AU TWI	61.20					MYR	2.7501	2.9732
AUD/USD	0.7191	0.0000	0.0002	0.0003	0.0004	NOK	6.1856	6.6874
AUD/NZD	1.0811	0.0001	0.0003	0.0007	-0.0001	SEK	5.9303	6.4115
AUD/JPY	75.88	-0.02	-0.08	-0.17	-0.36	SGD	0.9063	0.9798
AUD/EUR	0.6121	-0.0003	-0.0012	-0.0022	-0.0046	TWD	19.30	20.87
AUD/GBP	0.5576	0.0000	-0.0002	-0.0003	-0.0007	ZAR	11.0353	11.9306
USD Index	93.72							
EUR/USD	1.1748	0.0007	0.0026	0.0048	0.0096	<b>EQUITIES</b>		
USD/JPY	105.54	-0.04	-0.14	-0.28	-0.56		<b>Index</b>	
GBP/USD	1.2895	0.0002	0.0009	0.0013	0.0025	NZX50	11,813	
EUR/GBP	0.9110	0.0004	0.0014	0.0028	0.0057	ASX200	5,873	
						Dow Jones	27,852	
						S&P 500	3,378	
						FTSE100	5,879	
						DAX 30	12,731	
						Nikkei	23,185	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	40.27	
						Brent Crude	40.91	
						Gold	1,910.15	
						Silver	23.98	
						CRB Index	155.16	

  

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	0.31%	0.27%	0.11%	0.07%
FRA 90d in 3mths	0.27%	0.24%	0.10%	0.05%
FRA 180d in 6mths	0.02%	-0.01%	0.11%	0.07%
1 year swap*	0.15%	0.12%	0.09%	0.08%
2 year swap*	0.08%	0.05%	0.12%	0.10%
3 year swap*	0.08%	0.06%	0.14%	0.14%
5 year swap*	0.16%	0.14%	0.31%	0.30%
10 year swap*	0.54%	0.52%	0.77%	0.75%
10 year Govt bond		0.51%		0.90%

\* 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.