



MARKET ALERT

Tuesday 20 October 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6610	0.0001
NZD/AUD	0.9357	-0.0005
NZD/JPY	69.69	-0.17
NZD/EUR	0.5616	-0.0022
NZD/GBP	0.5104	-0.0005
NZD/CNH	4.4162	0.0596
AUD/USD	0.7064	0.0005
AUD/EUR	0.6002	-0.0020
EUR/USD	1.1769	0.0048
USD/CNH	7.1227	0.0895
GBP/USD	1.2949	0.0013
EUR/GBP	0.9089	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.28%	0.08%
2 year swap	0.04%	0.09%
10 year Govt	0.54%	0.75%

Not quite ‘bang on target’

China, the country that always hits its economic targets, finally missed one after their Q3 GDP headlined at 2.7% for the quarter and 4.9% for the year. Expectations were for 3.3% and 5.2% respectively. While this was ‘behind the eight ball,’ retail sales and industrial production outperformed, growing at 3.3% and 6.9% on the year respectfully.

Adding support to their recovery, PBoC Governor, Yi Gang, stated that COVID has been controlled in China and, looking ahead, he’s bullish stating “I think the accumulative growth for the first three quarters of this year will be positive.

For the whole year, we predict China GDP growth of around 2%.”

With the Chinese economy vigorously rebounding into growth mode, there have been hopes that China could pull the global economy out of its COVID related funk as it did after the global financial crisis. Although, it should be noted that China is adopting a more ‘inward’ approach to its recovery as there has been an escalation in tensions between China and the US, UK and Australia.

According to the FT, the COVID second wave that is currently impacting the Eurozone is driving Europe towards a double-dip recession. With various countries having brought in new restrictions with more to be announced later this week, the senior economist at Allianz stated *“we now see growth turning negative in several countries in the fourth quarter — another recession is absolutely possible.”*

To some extent, this has been highlighted by the yield gap between the US and Eurozone, which has widened in recent weeks as investors expect further easing from the ECB. Overnight, the US 10-year yield firmed to 0.77% while the German 10-year bond remains weak at -0.62%.

As Brexit talks plod along, following on from the 15/16 October EU Leaders Summit deadline, it is probably worth reviewing the ‘where to from here?’ plan. Essentially, the first week of November

is the real deadline as it would leave just under 2 months for legislation to be drafted and passed ahead of the 31st December exit. Within this timeframe, the European Parliament meet on the 23-26 November, where any deal would have to be ratified, ahead of a final formal sign-off at the EU leaders’ summit, which runs from 10-11 December.

Making international waves

Of the top 5 most read articles overnight on Bloomberg, 2 of them are about Jacinda Ardern!

With the compressed price of oil, ConocoPhillips is set to buy rival Concho in a USD9.7 billion deal that will see the group rival Exxon as the US shale producer.

September Services PMI for NZ headlined at 50.3, an increase on August’s 47.2.

According to Morgan Stanley, as we count down to the US election *“with valuations and the recovery discount having outpaced economic reality, the market’s vulnerability to disappointments looks high and sensitivity to uncertainty is extreme, making for volatile range-bound trading.”* This has seen equity markets trade lower and currencies flatline with the NZD/USD at 0.6615 and AUD/USD at 0.7065, although the NZD/AUD has popped to 0.9360.

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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	71.28					CAD	0.8713	0.9312
NZD/USD	0.6610	0.0000	0.0000	0.0001	0.0008	CHF	0.6015	0.6428
NZD/AUD	0.9357	0.0000	-0.0003	-0.0005	0.0001	CNY	4.4173	4.7209
NZD/JPY	69.69	-0.02	-0.08	-0.17	-0.28	DKK	4.1798	4.4670
NZD/EUR	0.5616	-0.0004	-0.0012	-0.0022	-0.0039	FJD	1.4090	1.5059
NZD/GBP	0.5104	-0.0001	-0.0003	-0.0005	-0.0004	HKD	5.1224	5.4744
						KRW	754.19	806.02
AU TWI	60.00					MYR	2.7476	2.9364
AUD/USD	0.7064	0.0001	0.0003	0.0005	0.0008	NOK	6.1736	6.5978
AUD/NZD	1.0687	0.0000	0.0003	0.0006	-0.0001	SEK	5.8401	6.2414
AUD/JPY	74.48	-0.02	-0.07	-0.13	-0.30	SGD	0.8975	0.9591
AUD/EUR	0.6002	-0.0004	-0.0011	-0.0020	-0.0043	TWD	19.03	20.34
AUD/GBP	0.5455	0.0000	-0.0001	-0.0002	-0.0005	ZAR	10.9237	11.6744
USD Index	93.41							
EUR/USD	1.1769	0.0008	0.0025	0.0048	0.0097	EQUITIES		
USD/JPY	105.44	-0.04	-0.13	-0.26	-0.55		Index	
GBP/USD	1.2949	0.0002	0.0007	0.0013	0.0026	NZX50	12,385	
EUR/GBP	0.9089	0.0005	0.0014	0.0028	0.0057	ASX200	6,229	
						Dow Jones	28,217	
						S&P 500	3,442	
						FTSE100	5,885	
						DAX 30	12,855	
						Nikkei	23,671	
						COMMODITIES		
							USD	
						Dubai Light	41.00	
						Brent Crude	42.47	
						Gold	1,902.71	
						Silver	24.25	
						CRB Index	161.07	

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	0.21%	0.18%	0.09%	0.04%
FRA 180d in 6mths	-0.04%	-0.06%	0.09%	0.05%
1 year swap*	0.11%	0.08%	0.09%	0.05%
2 year swap*	0.05%	0.02%	0.10%	0.09%
3 year swap*	0.05%	0.02%	0.12%	0.11%
5 year swap*	0.12%	0.09%	0.26%	0.25%
10 year swap*	0.48%	0.45%	0.72%	0.71%
10 year Govt bond		0.53%		0.75%

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

SOURCE: Bloomberg

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