



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Thursday 22 October 2020 | [www.bancorp.co.nz](http://www.bancorp.co.nz)

CURRENCIES	Spot	6mths
NZD/USD	0.6668	0.0001
NZD/AUD	0.9353	-0.0006
NZD/JPY	69.71	-0.16
NZD/EUR	0.5621	-0.0022
NZD/GBP	0.5067	-0.0004
NZD/CNH	4.4300	0.0581
AUD/USD	0.7129	0.0006
AUD/EUR	0.6010	-0.0020
EUR/USD	1.1862	0.0049
USD/CNH	7.1227	0.0860
GBP/USD	1.3160	0.0014
EUR/GBP	0.9014	0.0028

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.27%	0.06%
2 year swap	0.01%	0.06%
10 year Govt	0.58%	0.80%

## Up, up and away!

Last night was a US dollar story, and the NZD certainly felt it! The dollar index appears to have completed a technical head and shoulders pattern that saw it fall 0.6% on the day and the dip, while modest, saw the NZD and AUD play catch-up after being held down by domestic narratives.

This saw the NZD and AUD outperform rallying 1.4% and 1.1% on the day to

0.6670 and 0.7130, with the NZD/AUD firming to 0.9355.

US stocks also had a whippy session swinging between gains and losses as investors assessed the latest stimulus headlines. The latest news suggests a smaller, USD500billion, package could be agreed between the Republicans and Democrats, which would support the economy through to the inauguration of the new President in January, but there are a lot of rumours and the situation appears to be changing hourly. In fact, Nancy Pelosi just stated, *"I think we have a prospect for an agreement."*

Currently, US equity markets are up slightly, although European markets closed down 1.0-2.0%, but what was most significant was the US 10-year treasury move which saw its yield jump to 0.81%, it's highest level since June!

In the month to date, this yield has jumped 12 bps reflecting expectations that further large-scale stimulus will eventually be agreed, be it before or after the election.

## The US is all Beige

The Fed's Beige book, the Federal Reserve's summary of economic conditions, reported that US economic activity is improving, but only at a

modest pace as, *"firms reported a positive, but uncertain outlook."*

Interestingly, *"employment growth remained slow,"* although, *"wages increased slightly due to difficulty in finding workers."* Finally, *"prices for food, automobiles, and appliances rose significantly."*

Fed Governor, Lael Brainard, announced *"the economic recovery in the US remains highly uncertain and highly uneven, with certain sectors and groups experiencing substantial hardship."*

She also added *"The Fed is committed to providing sustained accommodation to achieve a broad-based recovery"* but warned, *"further fiscal support will be needed alongside accommodative monetary policy to turn this K-shaped recovery into a broad-based and inclusive recovery."*

Canada, which has a similar free-market economy to New Zealand's, saw new house prices jump 1.2% on the month to record their largest jump in home prices in 14 years.

Seven countries have reported increased COVID cases of at least +100k over the last 7 days

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# DAILY RATES

Thursday 22 October 2020 | www.bancorp.co.nz

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.52					CAD	0.8752	0.9357
NZD/USD	0.6668	0.0000	0.0000	0.0001	0.0010	CHF	0.6033	0.6450
NZD/AUD	0.9353	-0.0001	-0.0003	-0.0006	0.0001	CNY	4.4345	4.7412
NZD/JPY	69.71	-0.02	-0.09	-0.16	-0.26	DKK	4.1826	4.4719
NZD/EUR	0.5621	-0.0003	-0.0012	-0.0022	-0.0038	FJD	1.4199	1.5182
NZD/GBP	0.5067	-0.0001	-0.0003	-0.0004	-0.0002	HKD	5.1672	5.5246
						KRW	754.86	807.07
AU TWI	59.70					MYR	2.7394	2.9289
AUD/USD	0.7129	0.0001	0.0003	0.0006	0.0010	NOK	6.1364	6.5609
AUD/NZD	1.0692	0.0001	0.0004	0.0007	-0.0002	SEK	5.8192	6.2217
AUD/JPY	74.53	-0.02	-0.06	-0.13	-0.29	SGD	0.9028	0.9653
AUD/EUR	0.6010	-0.0003	-0.0011	-0.0020	-0.0041	TWD	19.15	20.47
AUD/GBP	0.5417	0.0000	-0.0001	-0.0001	-0.0003	ZAR	10.8791	11.6316
USD Index	92.57							
EUR/USD	1.1862	0.0008	0.0026	0.0049	0.0099	<b>EQUITIES</b>		
USD/JPY	104.56	-0.03	-0.13	-0.26	-0.55		<b>Index</b>	
GBP/USD	1.3160	0.0002	0.0008	0.0014	0.0026	NZX50	12,433	
EUR/GBP	0.9014	0.0005	0.0014	0.0028	0.0057	ASX200	6,192	
						Dow Jones	28,356	
						S&P 500	3,453	
						FTSE100	5,777	
						DAX 30	12,558	
						Nikkei	23,639	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	40.76	
						Brent Crude	41.78	
						Gold	1,922.79	
						Silver	25.03	
						CRB Index	160.46	

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.29%	0.25%	0.06%	0.06%
90 day bank bills	0.29%	0.25%	0.08%	0.04%
FRA 90d in 3mths	0.16%	0.13%	0.05%	0.00%
FRA 180d in 6mths	-0.08%	-0.10%	0.05%	0.01%
1 year swap*	0.08%	0.05%	0.04%	0.03%
2 year swap*	0.02%	0.00%	0.07%	0.06%
3 year swap*	0.02%	0.00%	0.10%	0.09%
5 year swap*	0.11%	0.09%	0.26%	0.26%
10 year swap*	0.52%	0.49%	0.76%	0.74%
10 year Govt bond		0.57%		0.80%

\* 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.