



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 23 October 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6677	0.0001
NZD/AUD	0.9388	-0.0006
NZD/JPY	70.02	-0.17
NZD/EUR	0.5650	-0.0023
NZD/GBP	0.5106	-0.0005
NZD/CNH	4.4534	0.0571
AUD/USD	0.7113	0.0006
AUD/EUR	0.6018	-0.0020
EUR/USD	1.1818	0.0049
USD/CNH	7.1227	0.0845
GBP/USD	1.3078	0.0014
EUR/GBP	0.9037	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.27%	0.06%
2 year swap	0.02%	0.06%
10 year Govt	0.57%	0.81%

Prepping for the currency war!

In the cyclical nature of the USD's weakening cycle, rumours were circulating yesterday that the South Korean central bank had been buying dollars to curb the KRW's rise after the South Korean finance minister announced the central bank had been monitoring FX markets, and that they would take action to stabilise the Korean won if needed. While this was a warning, it is significant that we have now had the ECB, RBA and RBNZ all comment on the strength of its domestic currencies, while the Chinese authorities

have reportedly been buying Japanese bonds to weaken the CNY. The fact the CNY strengthened to 6.6549 against the USD yesterday will have upset a few individuals at the PBoC!

RBNZ member, Simone Robbers, (wait, we haven't heard of her either!) Well, she's Assistant Governor and GM of Governance, Strategy and Corporate Relations. Anyway, Ms Robbers let slip that the RBNZ has been busy *"providing liquidity to banks and coordinating monetary and fiscal policy settings to support New Zealand's economic recovery"* and that the *"RBNZ (is) looking at how to use its monetary policy and alternative monetary policy tools."*

US initial jobless claims fell to a new COVID low to beat expectations at 787k, with continuing claims dropping to 8.373 million. In other data-related news, US September existing home sales rose to 6.54 million against a 6.30 million expectation, Eurozone consumer confidence contracted to -15.5 in September from August's -13.9, and Germany's consumer confidence headlined at -3.1 from the previous months -1.7.

Putin says Russia is ready to cut oil output further if necessary.

Internationally, equities put in a short shift trading broadly positive but, in reality, most indices were very quiet. The main action was, once again, in the bond markets with the 10 year Treasury and German Bund yields rising 2 points

to 0.84% and -0.57% respectively. In amongst this, commodities were mixed with Brent and Crude up 1.8% and 1.6% on the Putin announcement, while gold eased 1.0% on the movement in bond yields. The NZD and AUD were very quiet and are currently trading at 0.6680 and 0.7115 against the USD.

Classic interference

According to the FBI, Russia and Iran have attempted to interfere in the US election. The Iranians allegedly sent threatening emails saying, *"Don't vote for Trump!"* No wonder Mr Trump is cross!

The Canadian government of Prime Minister, Justin Trudeau, has survived a parliamentary vote of no confidence.

PayPal's decision to accept bitcoin saw the cryptocurrency rally to 13,045, its highest level since July 2019.

Goldman Sachs entered the first ever guilty plea of a US bank and will pay a further USD2.3 billion in fines for its role in the plundering of Malaysia's 1MDB investment fund after the Goldman's Malaysia unit *"knowingly and wilfully agreed to violate Foreign Corruption Practices."* Goldman Sachs CEO, David Solomon, will have his 2020 pay reduced as a result of this scandal.

It all kicks off today with the final Trump-Biden debate which is due to start, if our maths is correct, at 2pm New Zealand time.

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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	71.87					CAD	0.8776	0.9348
NZD/USD	0.6677	0.0000	0.0000	0.0001	0.0010	CHF	0.6058	0.6453
NZD/AUD	0.9388	-0.0001	-0.0004	-0.0006	0.0000	CNY	4.4633	4.7545
NZD/JPY	70.02	-0.02	-0.09	-0.17	-0.26	DKK	4.2038	4.4781
NZD/EUR	0.5650	-0.0004	-0.0012	-0.0023	-0.0038	FJD	1.4188	1.5114
NZD/GBP	0.5106	-0.0001	-0.0003	-0.0005	-0.0003	HKD	5.1746	5.5122
						KRW	757.33	806.74
AU TWI	59.80					MYR	2.7617	2.9418
AUD/USD	0.7113	0.0001	0.0003	0.0006	0.0010	NOK	6.1826	6.5859
AUD/NZD	1.0652	0.0001	0.0005	0.0007	0.0000	SEK	5.8620	6.2445
AUD/JPY	74.59	-0.02	-0.06	-0.13	-0.28	SGD	0.9058	0.9649
AUD/EUR	0.6018	-0.0003	-0.0011	-0.0020	-0.0041	TWD	19.18	20.43
AUD/GBP	0.5439	0.0000	-0.0001	-0.0001	-0.0003	ZAR	10.8238	11.5300
USD Index	92.93							
EUR/USD	1.1818	0.0008	0.0026	0.0049	0.0098	EQUITIES		
USD/JPY	104.88	-0.04	-0.13	-0.26	-0.54		Index	
GBP/USD	1.3078	0.0002	0.0008	0.0014	0.0026	NZX50	12,407	
EUR/GBP	0.9037	0.0005	0.0014	0.0028	0.0057	ASX200	6,174	
						Dow Jones	28,394	
						S&P 500	3,457	
						FTSE100	5,786	
						DAX 30	12,543	
						Nikkei	23,474	
						COMMODITIES		
							USD	
						Dubai Light	40.28	
						Brent Crude	42.50	
						Gold	1,904.12	
						Silver	24.67	
						CRB Index	161.25	

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	0.17%	0.14%	0.05%	0.00%
FRA 180d in 6mths	-0.07%	-0.09%	0.05%	0.01%
1 year swap*	0.09%	0.06%	0.05%	0.02%
2 year swap*	0.03%	0.01%	0.06%	0.05%
3 year swap*	0.04%	0.01%	0.09%	0.09%
5 year swap*	0.13%	0.10%	0.27%	0.25%
10 year swap*	0.54%	0.51%	0.77%	0.76%
10 year Govt bond		0.56%		0.81%

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

SOURCE: Bloomberg

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