



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 27 October 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6685	0.0001
NZD/AUD	0.9379	-0.0006
NZD/JPY	70.10	-0.17
NZD/EUR	0.5659	-0.0023
NZD/GBP	0.5134	-0.0005
NZD/CNH	4.4791	0.0588
AUD/USD	0.7127	0.0006
AUD/EUR	0.6034	-0.0020
EUR/USD	1.1812	0.0050
USD/CNH	7.1227	0.0868
GBP/USD	1.3021	0.0015
EUR/GBP	0.9072	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.27%	0.06%
2 year swap	0.01%	0.05%
10 year Govt	0.60%	0.81%

Sunny side up

In a world of rising COVID cases and political manoeuvrings ahead of the US election, well, not much has actually, really, changed!

The good, reflective COVID news is that the second wave has incurred lower mortality rates, and with the lockdown's less stringent than those experienced earlier in the year, there appears to be far less damage to financial markets and the global economy when compared to the first wave.

In addition, the Oxford COVID trials have also offered hope for elderly patients

after early results suggested the vaccine may build 'aged' immunity.

Nevertheless, with the prospect of a new US stimulus bill before the November election rapidly diminishing after House Speaker, Nancy Pelosi, and White House Chief of Staff, Mark Meadows, accused each other of "moving the goalposts," financial markets are struggling for inspiration. In fact, it potentially just got worse after Fox News reported that should Joe Biden get elected, he will immediately push for a USD2 trillion stimulus package along with personal and corporate tax increases.

The combination of these factors saw global equities have another miserable Monday, with European and US equities off 2%-3%. In fact, the Dow is on course to record its worst session since 11 June! This increase in uncertainty has also led to the VIX, which tracks the 30-day implied volatility of the S&P 500, surging nearly 5 points to break above 32 for the first time since early September.

Still, there is always some good news — Morgan Stanley just announced it is time to go 'all-in' on emerging market currencies as "the market appears to be under-pricing the possibility of a Blue sweep!" And while we can debate the merits of this call, one cannot debate the merit of the recent bout of NZD and AUD strength, with the NZD/USD currently at 0.6685 and the AUD/USD at 0.7130. Given the global uncertainty

that is currently causing the financial markets to stagnate, this strength is a little concerning, especially when one considers that the current bout of weakness also extended to commodities, with oil hit especially hard as Crude and Brent each fell 3.2% to three month lows.

Sunny side down

Interestingly, the data overnight wasn't necessarily all doom and gloom, although it wasn't exactly inspirational either when compared to previous prints ...

US home sales dropped 3.5% to a seasonally adjusted annual rate of 959k in September, a drop on August's 14 year high of 994k and below market expectations of 1,025k, while the German IFO Business indicator dropped to 92.7 for October, down from September's seven-month high of 93.2 and slightly below market expectations of 93.0.

Perhaps the biggest kicker for markets today was the SAP's outlook after they had USD35 billion wiped off their market capitalisation after the company posted disappointing third-quarter results. The concern is that if corporate and government clients aren't spending directly on SaaS to keep their workforces, supply chains, and other business processes, then these sectors may have a more contracted slowdown that originally thought.

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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	71.96					CAD	0.8825	0.9409
NZD/USD	0.6685	0.0000	0.0000	0.0001	0.0010	CHF	0.6067	0.6468
NZD/AUD	0.9379	-0.0001	-0.0004	-0.0006	0.0000	CNY	4.4866	4.7836
NZD/JPY	70.10	-0.03	-0.09	-0.17	-0.27	DKK	4.2106	4.4894
NZD/EUR	0.5659	-0.0004	-0.0013	-0.0023	-0.0038	FJD	1.4182	1.5121
NZD/GBP	0.5134	-0.0001	-0.0004	-0.0005	-0.0003	HKD	5.1806	5.5236
						KRW	757.12	807.25
AU TWI	60.10					MYR	2.7831	2.9673
AUD/USD	0.7127	0.0001	0.0003	0.0006	0.0011	NOK	6.1787	6.5878
AUD/NZD	1.0662	0.0001	0.0005	0.0007	-0.0001	SEK	5.8463	6.2334
AUD/JPY	74.74	-0.02	-0.07	-0.14	-0.29	SGD	0.9099	0.9701
AUD/EUR	0.6034	-0.0003	-0.0011	-0.0020	-0.0041	TWD	19.13	20.40
AUD/GBP	0.5474	0.0000	-0.0001	-0.0002	-0.0004	ZAR	10.8383	11.5559
USD Index	93.04							
EUR/USD	1.1812	0.0008	0.0027	0.0050	0.0099	EQUITIES		
USD/JPY	104.87	-0.04	-0.14	-0.28	-0.56	Index		
GBP/USD	1.3021	0.0002	0.0009	0.0015	0.0028	NZX50	12,470	
EUR/GBP	0.9072	0.0005	0.0014	0.0028	0.0056	ASX200	6,156	
						Dow Jones	27,604	
						S&P 500	3,392	
						FTSE100	5,792	
						DAX 30	12,177	
						Nikkei	23,494	
						COMMODITIES		
							USD	
						Dubai Light	39.36	
						Brent Crude	40.47	
						Gold	1,903.04	
						Silver	24.31	
						CRB Index	158.71	

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	0.19%	0.11%	0.05%	-0.01%
FRA 180d in 6mths	-0.09%	-0.11%	0.06%	0.02%
1 year swap*	0.08%	0.03%	0.04%	0.03%
2 year swap*	0.04%	-0.02%	0.06%	0.05%
3 year swap*	0.06%	-0.02%	0.09%	0.08%
5 year swap*	0.16%	0.10%	0.24%	0.24%
10 year swap*	0.57%	0.51%	0.74%	0.73%
10 year Govt bond		0.59%		0.81%

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

SOURCE: Bloomberg

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