



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 6 October 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6631	-0.0002
NZD/AUD	0.9245	-0.0006
NZD/JPY	70.11	-0.19
NZD/EUR	0.5632	-0.0024
NZD/GBP	0.5112	-0.0006
NZD/CNH	4.4582	0.0539
AUD/USD	0.7173	0.0003
AUD/EUR	0.6091	-0.0022
EUR/USD	1.1776	0.0048
USD/CNH	7.1227	0.0829
GBP/USD	1.2973	0.0013
EUR/GBP	0.9077	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.27%	0.09%
2 year swap	0.06%	0.11%
10 year Govt	0.51%	0.83%

Trump drive-by

You cannot keep a good man down as Donald Trump proved when he went for a drive-by to thank/infect supporters outside of his hospital, and with rumours circulating that the Presidential helicopter has just been seen heading towards Walter Reed Hospital, we guess we can now expect a Presidential fly-by! With Trump back in a COVID rampant White House, what could possibly go wrong?

And it goes without saying, the feel good factor of a Presidential recovery helped the US ISM non-manufacturing PMI increase for the fourth month in a row, to 57.8 in September, from 56.9 in August, exceeding market expectations of 56.3.

The Presidential feel good factor also continued to the Eurozone where retail trade rose by 4.4% on the month, following a revised 1.8% drop in July and beating market expectations of 2.4%.

But let's be honest, all this Presidential talk is secondary to the fact that Pelosi and Mnuchin talked today, and will speak again tomorrow, with all signs pointing to solid progress being made on the next USD1.5 trillion stimulus package.

European and US stocks started the week positively, climbing more than 1.0% on optimism of the mentioned economic stimulus and reports that Trump is leaving hospital. That paled against crude's 6.0% jump after Norwegian oil workers expanded their strike, with output capacity expected to be cut by 8.0%.

We also saw the 10-year Treasury yield surge 7 basis points to its highest level in five weeks at 0.76%. The Japanese yen depreciated 0.4% and the euro climbed 0.5% against the US dollar and currently, the NZD/USD and AUD/USD are sitting at 0.6633 and 0.7172 respectively.

The ANZ commodity price index, which measures NZ's 17 main commodity exports, highlighted a -0.2% fall for the month of September following on from August's -1.0% contraction.

With the Australian holiday, the AUD was quiet although their PMI release highlighted an improving economy with the services component at 50.8 and composite at 51.1.

According to the IMF, millions of new jobs could be created if governments spent more. Great, let's all become civil servants!

Re-surge

Ireland's National Public Health Emergency Team is recommending that the whole of Ireland move to level 5 restrictions. Level 5 is a harsh lockdown with only essential retail services, takeaway and the Guinness factory remaining open.

The UK press has reported the government is looking at a new, three-tier lockdown system for England.

France has raised the alert level in the wider Paris region to its maximum level, while New York City is seeking to reinstate restrictions in some parts of the city.

The end of the quant?

Quants used to be those super smart blokes with advanced maths degrees that sat in the corner of the dealing room and made more money than everyone else put together. A recent study of US quant managers has highlighted they trailed their benchmarks by 3.3% this year, compared to a 0.6% outperformance by their fundamental peers.

Finally, the White House Gift Shop has just released their commemorative "TRUMP DEFEATS COVID" coin, costing just USD100 each.

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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	71.61					CAD 0.8802	0.9521
NZD/USD	0.6631	0.0000	-0.0001	-0.0002	0.0004	CHF 0.6072	0.6568
NZD/AUD	0.9245	-0.0001	-0.0003	-0.0006	-0.0001	CNY 4.5026	4.8706
NZD/JPY	70.11	-0.03	-0.10	-0.19	-0.33	DKK 4.1898	4.5322
NZD/EUR	0.5632	-0.0004	-0.0013	-0.0024	-0.0042	FJD 1.4079	1.5230
NZD/GBP	0.5112	-0.0001	-0.0004	-0.0006	-0.0007	HKD 5.1391	5.5590
						KRW 768.22	831.00
AU TWI	60.80					MYR 2.7616	2.9873
AUD/USD	0.7173	0.0001	0.0002	0.0003	0.0005	NOK 6.1158	6.6156
AUD/NZD	1.0817	0.0001	0.0004	0.0007	0.0001	SEK 5.9024	6.3847
AUD/JPY	75.84	-0.02	-0.08	-0.16	-0.35	SGD 0.9024	0.9761
AUD/EUR	0.6091	-0.0004	-0.0012	-0.0022	-0.0046	TWD 19.16	20.73
AUD/GBP	0.5529	0.0000	-0.0002	-0.0003	-0.0007	ZAR 11.0060	11.9054
USD Index	93.52						
EUR/USD	1.1776	0.0008	0.0026	0.0048	0.0096	EQUITIES	
USD/JPY	105.74	-0.04	-0.14	-0.27	-0.55		Index
GBP/USD	1.2973	0.0002	0.0008	0.0013	0.0025	NZX50	11,898
EUR/GBP	0.9077	0.0005	0.0014	0.0028	0.0057	ASX200	5,942
						Dow Jones	28,094
						S&P 500	3,396
						FTSE100	5,943
						DAX 30	12,828
						Nikkei	23,312
						COMMODITIES	
							USD
						Dubai Light	38.52
						Brent Crude	41.39
						Gold	1,913.02
						Silver	24.35
						CRB Index	156.56

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	0.29%	0.25%	0.11%	0.07%
FRA 90d in 3mths	0.24%	0.21%	0.10%	0.05%
FRA 180d in 6mths	0.02%	-0.01%	0.11%	0.07%
1 year swap*	0.14%	0.11%	0.09%	0.07%
2 year swap*	0.08%	0.05%	0.11%	0.10%
3 year swap*	0.07%	0.05%	0.15%	0.14%
5 year swap*	0.15%	0.13%	0.30%	0.29%
10 year swap*	0.54%	0.51%	0.83%	0.81%
10 year Govt bond		0.50%		0.83%

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

SOURCE: Bloomberg

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