



# MARKET ALERT

Wednesday 7 October 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6592	-0.0001
NZD/AUD	0.9269	-0.0007
NZD/JPY	69.56	-0.18
NZD/EUR	0.5614	-0.0024
NZD/GBP	0.5112	-0.0006
NZD/CNH	4.4462	0.0539
AUD/USD	0.7112	0.0004
AUD/EUR	0.6057	-0.0021
EUR/USD	1.1742	0.0047
USD/CNH	7.1227	0.0831
GBP/USD	1.2895	0.0012
EUR/GBP	0.9106	0.0028

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.28%	0.09%
2 year swap	0.06%	0.08%
10 year Govt	0.53%	0.88%

## Australian monetary and fiscal support

The RBA meeting was a complete snooze festival, with the real question being, will the RBA cut to 0.10% at their next meeting ... on Melbourne Cup day?

In leaving the cash and 3-year yield target rates unchanged at 0.25%, the focus was on the minutes, which highlighted *“inflation remains very low and below central bank targets, the GDP decline was smaller than in most other countries and smaller than was earlier expected, a recovery is now under way in most of Australia,”* and *“while the unemployment rate is likely to peak at a lower rate than earlier expected, even so,*

*unemployment and underemployment are likely to remain high for an extended period.”* Finally, in a line that will keep us on our toes, *“the Board continues to consider how additional monetary easing could support jobs as the economy opens up further.”*

Meanwhile, the Australian government also stepped up with an AUD98bn injection to jolt Australia’s economy back to life through the ABC’s ... Asset write-downs, Business concessions, and Cuts to personal tax.

The major beneficiaries were taxpayers with projected cuts brought forward, an increase in the bands that higher taxes are charged at, and an adjustment to capital gains taxes. There was also support for new home buyers and SMEs, enabling them to deduct the full cost of new capital assets and carry back loss provisions to offset current losses on to previously paid tax.

The Australian trade balance data for August saw exports fall 4% on the month, way more than the expected 2% decrease. Against this, monthly imports increased 2% which resulted in an AUD2.643m surplus, a big miss on the expected AUD5.050m. On a positive note, Australia weekly consumer confidence increased to 95.7 from 95.0

Financial markets took the Australian announcements in their stride, however news this morning has seen risk sold off with the AUD/USD lower at 0.7120. The NZD/USD also eased to 0.6600 but the big mover was the Euro after

ECB President, Christine Lagarde, told the WSJ the ECB was ready to unleash further stimulus, including slashing interest rates deeper into negative territory.

Against this, equity markets spent most of the day in green territory, although the gains were lost at the close. The US yield curve saw action which steepened further on the possibility of ‘blue wave’ election. This saw the 5-30 years steepen to its widest levels since 2016.

## Personal bubble

Even though he is back at the White House, President Trump is continuing the expansion of his personal bubble with his valet now infected. But it hasn’t stopped him from halting the stimulus negotiations as *“Pelosi not negotiating in good faith.”* Mind you, Speaker Pelosi stated Treasury Secretary, Steve Mnuchin, could not visit ‘the Hill’ on Friday as he couldn’t trust anyone from a COVID infected White House.

Chairman Powell stated *“too little stimulus is worse than too much”* as he called for continued aggressive fiscal and monetary stimulus to support an economic recovery that still has *“a long way to go.”*

The trade gap in the US widened to USD67.1 billion in August while the number of job openings fell by 204,000 from a month earlier to 6.493 million.

Finally, the GDT index jumped 2.2% overnight led by butter, with Whole Milk Powder up 1.7%.

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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	71.52					CAD	0.8774	0.9465
NZD/USD	0.6592	0.0000	0.0000	-0.0001	0.0005	CHF	0.6048	0.6524
NZD/AUD	0.9269	-0.0001	-0.0003	-0.0007	-0.0001	CNY	4.4767	4.8297
NZD/JPY	69.56	-0.02	-0.09	-0.18	-0.30	DKK	4.1785	4.5080
NZD/EUR	0.5614	-0.0004	-0.0012	-0.0024	-0.0041	FJD	1.3999	1.5103
NZD/GBP	0.5112	-0.0001	-0.0003	-0.0006	-0.0006	HKD	5.1091	5.5120
						KRW	768.13	828.71
AU TWI	61.10					MYR	2.7602	2.9778
AUD/USD	0.7112	0.0000	0.0002	0.0004	0.0006	NOK	6.1617	6.6476
AUD/NZD	1.0789	0.0001	0.0004	0.0008	0.0001	SEK	5.8954	6.3603
AUD/JPY	75.05	-0.02	-0.07	-0.14	-0.32	SGD	0.8980	0.9688
AUD/EUR	0.6057	-0.0004	-0.0011	-0.0021	-0.0044	TWD	19.03	20.53
AUD/GBP	0.5515	0.0000	-0.0002	-0.0002	-0.0006	ZAR	11.0060	11.8740
USD Index	93.45							
EUR/USD	1.1742	0.0008	0.0025	0.0047	0.0095	<b>EQUITIES</b>		
USD/JPY	105.54	-0.04	-0.13	-0.25	-0.54		<b>Index</b>	
GBP/USD	1.2895	0.0002	0.0008	0.0012	0.0024	NZX50	11,975	
EUR/GBP	0.9106	0.0005	0.0014	0.0028	0.0057	ASX200	5,962	
						Dow Jones	28,087	
						S&P 500	3,424	
						FTSE100	5,950	
						DAX 30	12,906	
						Nikkei	23,434	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	39.74	
						Brent Crude	42.73	
						Gold	1,893.69	
						Silver	23.56	
						CRB Index	158.82	

  

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	0.30%	0.26%	0.11%	0.07%
FRA 90d in 3mths	0.24%	0.21%	0.08%	0.03%
FRA 180d in 6mths	0.02%	-0.01%	0.09%	0.05%
1 year swap*	0.14%	0.11%	0.07%	0.06%
2 year swap*	0.08%	0.05%	0.08%	0.08%
3 year swap*	0.08%	0.05%	0.11%	0.11%
5 year swap*	0.17%	0.13%	0.28%	0.27%
10 year swap*	0.56%	0.52%	0.78%	0.77%
10 year Govt bond		0.52%		0.88%

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

SOURCE: Bloomberg

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