



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Thursday 8 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%

Fed minutes

This morning we saw the release of the Fed minutes from its 15-16 September meeting, where it left its interest rate range unchanged at 0.0-0.25% and approved language outlining its new ‘inflation averaging’ approach.

Once again, the minutes emphasised that the Fed is ready to use its full range of tools in order to support the US economy, while policymakers also provided greater clarity about the likely path of the federal funds rate, saying interest rates would remain at current levels until labour market conditions

were judged to be consistent with maximum employment. The minutes also highlighted the uncertainty surrounding the economic recovery, with members noting that the absence of further fiscal stimulus could decelerate growth at a faster than expected pace, in the fourth quarter.

The US Treasury sold USD35 billion of 10 year notes at a yield of 0.765% overnight, to help finance the ballooning budget deficit. Yields have been climbing as Democrat election odds improve.

Overnight tweets from the US President supporting USD1,200 stimulus cheques, USD25 billion for hard-hit airlines and USD135 billion for small businesses, highlighted to traders that, following the US Presidential election, there will be extensive amounts of fiscal stimulus pumped into the US economy, regardless of who wins. This saw US markets rally 2.0% following on from Europe’s flat session.

The NZD/USD and AUD/USD are flat from our close yesterday at 0.6575 and 0.7135, although the NZD/AUD has eased to 0.9215. The US 10-year Treasury is currently yielding 0.78%, up 5 basis points.

The usual suspects

The US House committee has released a report on market power abuse by tech giants Amazon, Google, Facebook, and Apple. Essentially, Amazon has

a monopoly over third-party sellers, Facebook has a monopoly power in social networking, while Apple exerts monopoly power over software distribution! No mention of Google, but I guess they have a monopoly over search engines? One thing that is certain is, if Joe Biden becomes US President, these companies will be paying a lot more tax!

Bank of Japan Governor, Haruhiko Kuroda, says a full global economic recovery is further down the road than was originally envisaged.

German industrial production dropped by 0.2% in the month of August, its first decline since April. Expectations were for a 1.5% rise, although July’s number was revised up to 1.4%.

The FT has printed that the EU’s Brexit negotiator, Michel Barnier, has told EU ambassadors that he expects Brexit talks to extend beyond the 15-16 October summit, although PM Boris Johnson’s office has indicated the UK will quit Brexit talks if no deal is agreed by 15 October. Australian services PMI for September highlighted a drop to 36.2, from August’s 42.5.

US Trade Representative, Robert Lighthizer, reported that President Trump’s trade policies were working despite a USD67.1 billion August trade deficit that was the largest in 14 years as “many of our G7 partners were more negatively affected by the pandemic than we were.”

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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	EQUITIES		
USD/JPY	105.54	-0.04	-0.13	-0.25	-0.54		Index	
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	
						COMMODITIES		
							USD	
						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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