



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Friday 9 October 2020 | [www.bancorp.co.nz](http://www.bancorp.co.nz)

CURRENCIES	Spot	6mths
NZD/USD	0.6582	-0.0001
NZD/AUD	0.9189	-0.0005
NZD/JPY	69.78	-0.17
NZD/EUR	0.5598	-0.0023
NZD/GBP	0.5090	-0.0005
NZD/CNH	4.4348	0.0548
AUD/USD	0.7164	0.0004
AUD/EUR	0.6093	-0.0021
EUR/USD	1.1758	0.0047
USD/CNH	7.1227	0.0838
GBP/USD	1.2932	0.0012
EUR/GBP	0.9092	0.0028

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.28%	0.08%
2 year swap	0.03%	0.09%
10 year Govt	0.55%	0.87%

## RBNZ clears muddy waters

With the RBA meeting earlier in the week, as well as central bank minutes being released from the Fed and the ECB, the RBNZ thought it was time to get their initials in the headlines.

Chief Economist, Yuong Ha, started with *“we have a least regrets approach to thinking how much stimulus to deliver. We’d rather do too much too soon, rather than too little too late.”*

While the speeches highlighted the central bank is ‘actively working’ on negative interest rates and it’s Funding for Lending Programme (“FLP”), Deputy Governor, Christian Hawkesby,

emphasised the RBNZ’s projections are *“a very clear signal in terms of our dual mandate to be providing stimulus.”*

Mr Hawkesby then added that more detail on the bank lending plan will be presented at the next MPC meeting on 11 November, however *“that doesn’t necessarily mean we will be launching the day after the MPC, but that will be a key stepping stone”* before adding it was possible that the RBNZ could employ the FLP program without taking the next step to a negative OCR.

However, Yuong Ha then added that New Zealand has structurally higher retail rates than other countries, and *“we may need to go into negative OCR territory to get those rates down”* although the RBNZ didn’t have *“a fixed number in our minds”* on a lower bound, and *“we don’t expect retail rates to go negative.”*

So, hopefully everything is a lot clearer!

These statements maintained the weakness under the NZD, but it was a case of stopping the rally rather than renewed weakness. As an example, with the NZD/USD at 0.6580 and the AUD/USD at 0.7165, the NZD/AUD has fallen to 0.9187. Meanwhile, international bourses across Europe and the US were all up 0.0-1.0%, commodities are trading in similar territory, although oil is up another 3.0%, and the US 10 year Treasury is at 0.775%.

The NZ October preliminary business confidence showed a spike in confidence

from September’s -28.5 to -14.5. The activity outlook also increased from -5.4 to +3.6.

## Fed talks up fiscal stimulus

New York Fed President, John Williams, was speaking on the US economy highlighting the recovery has started, although it is nowhere near where Fed members wanted to be as the overall data masks the health issues, economic hardships for communities of colour, and impact upon low-income families.

Chicago Fed President, Charles Evans, stated that the *“Fed has capacity to do more asset purchases but currently doesn’t see the need,”* before adding *“my forecast is now less pessimistic than it was at mid-year.”*

While Fed member, Robert Kaplan, added *“we are growing out of this deep hole of the 2Q but the US needs more fiscal help especially with high joblessness.”* Against this, Senate Majority Leader, Mitch McConnell, said *“a big portion of the GOP think enough (has been) done on aid.”*

Citigroup was fined USD400 million for deficiencies in its risk management controls, while Morgan Stanley will buy Eaton Vance in a USD7 billion deal. After the purchase of the fund manager, the Wall St bank’s investment arm will manage assets of USD1.2 trillion with annual revenues of USD5 billion.

Great to see the two ‘running mates’ have a civilized debate!

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# DAILY RATES

Friday 9 October 2020 | www.bancorp.co.nz

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	71.12					<b>CAD</b> 0.8689	0.9456
NZD/USD	0.6582	0.0000	0.0000	-0.0001	0.0007	<b>CHF</b> 0.6036	0.6569
NZD/AUD	0.9189	0.0000	-0.0003	-0.0005	0.0003	<b>CNY</b> 4.4698	4.8645
NZD/JPY	69.78	-0.02	-0.09	-0.17	-0.28	<b>DKK</b> 4.1665	4.5344
NZD/EUR	0.5598	-0.0003	-0.0012	-0.0023	-0.0039	<b>FJD</b> 1.4033	1.5272
NZD/GBP	0.5090	-0.0001	-0.0003	-0.0005	-0.0004	<b>HKD</b> 5.1011	5.5516
						<b>KRW</b> 757.97	824.91
AU TWI	60.80					<b>MYR</b> 2.7379	2.9797
AUD/USD	0.7164	0.0000	0.0002	0.0004	0.0005	<b>NOK</b> 6.0988	6.6374
AUD/NZD	1.0883	0.0001	0.0004	0.0006	-0.0004	<b>SEK</b> 5.8353	6.3507
AUD/JPY	75.94	-0.02	-0.07	-0.15	-0.33	<b>SGD</b> 0.8941	0.9730
AUD/EUR	0.6093	-0.0003	-0.0011	-0.0021	-0.0045	<b>TWD</b> 18.98	20.65
AUD/GBP	0.5539	0.0000	-0.0001	-0.0002	-0.0006	<b>ZAR</b> 10.9210	11.8855
USD Index	93.62						
EUR/USD	1.1758	0.0007	0.0025	0.0047	0.0096	<b>EQUITIES</b>	
USD/JPY	106.02	-0.04	-0.13	-0.26	-0.54		<b>Index</b>
GBP/USD	1.2932	0.0002	0.0007	0.0012	0.0024	<b>NZX50</b>	12,236
EUR/GBP	0.9092	0.0005	0.0014	0.0028	0.0058	<b>ASX200</b>	6,102
						<b>Dow Jones</b>	28,394
						<b>S&amp;P 500</b>	3,444
						<b>FTSE100</b>	5,978
						<b>DAX 30</b>	13,042
						<b>Nikkei</b>	23,647
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	40.49
						<b>Brent Crude</b>	43.36
						<b>Gold</b>	1,892.26
						<b>Silver</b>	23.86
						<b>CRB Index</b>	160.64

  

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%	0.10%	0.06%
FRA 90d in 3mths	0.21%	0.17%	0.09%	0.04%
FRA 180d in 6mths	-0.04%	-0.06%	0.09%	0.05%
1 year swap*	0.11%	0.08%	0.07%	0.06%
2 year swap*	0.04%	0.01%	0.09%	0.08%
3 year swap*	0.04%	0.01%	0.13%	0.12%
5 year swap*	0.13%	0.09%	0.29%	0.28%
10 year swap*	0.54%	0.50%	0.79%	0.78%
10 year Govt bond		0.53%		0.87%

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

SOURCE: Bloomberg

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.