



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Tuesday 10 November 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6812	0.0002
NZD/AUD	0.9361	-0.0008
NZD/JPY	71.85	-0.16
NZD/EUR	0.5765	-0.0023
NZD/GBP	0.5183	-0.0005
NZD/CNH	4.5121	0.0606
AUD/USD	0.7278	0.0008
AUD/EUR	0.6159	-0.0020
EUR/USD	1.1817	0.0050
USD/CNH	7.1227	0.0874
GBP/USD	1.3144	0.0015
EUR/GBP	0.8990	0.0028

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.29%	0.02%
2 year swap	0.06%	0.05%
10 year Govt	0.59%	0.77%

## What a first day in 'elected' office!

Day one in office and Mr Biden has already established a COVID advisory board (that is actually made up of real scientists), emphasised the use of masks and social distancing, seen Utah make the wearing of masks mandatory, and produced a COVID vaccine!

Okay, he didn't produce the vaccine, it's been developed by Pfizer and according to trials, protects more than 90% of symptomatic infections. While the results are preliminary, it may pave the way for the companies to seek an emergency-use authorisation should

further research show the vaccine is also safe ... which would be a benefit!

While this is promising, there is still a lot we don't know, such as how well the shot works in key subgroups and whether the vaccine has long-term health implications; but that didn't stop the financial markets pricing in a recovery as participants went 'old school.'

Simply put, all equity markets are up with European markets the standout performers as the FTSE rallied 5.6% and the CAC gained 7.5%! US markets are a little subdued in comparison, with the NASDAQ 'only' rallying 0.5%, the S&P up 3.0%, and the Dow gaining 4.7%. Airlines and cruise companies are the standout performers rallying 15.0% and 30.0% respectively.

Commodities also enjoyed the 'good news' rally with Crude and Brent up 9.1% and 8.0%. Meanwhile the shine eased for gold and silver who each fell 4.9% and 7.6% in a reversal of the deflation trade. This also saw bonds sold, forcing the US 10 year yield to jump to 0.96%, a 0.14% movement overnight. Currencies were stable in comparison as investors sought the US dollar, although the NZD/USD and AUD/USD did hold their recent gains to be at 0.6820 and 0.7284.

Ultimately though, while this news is encouraging, there is still a long way to go and one should treat this news with caution.

## Stimulus and currency wars to follow

In amongst this good news, Nobel prize-winning economist, Paul Krugman, announced the US economy may need several hundred billion dollars a month in "disaster relief" following the COVID re-surge.

While global policy makers are still discussing stimulus, the vice governor of the PBoC said that an exit from fiscal stimulus is necessary, and will come in time, although "the timing and method of exit needs to be carefully evaluated, mainly based on the status of (the) economic recovery."

The FT is also bullish on the Chinese currency, noting that some prominent FX strategists have suggested it is time to re-establish long positions in the Renminbi as "a Biden White House would follow a much less aggressive stance on trade."

This point was backed up by China's strong October trade data, where exports jumped 11.4% and imports 4.7% on the year in USD terms.

In a similar vein, the *Japan Times* headlined that the BoJ "is concerned that any sharp rise in the yen's value against the dollar will deal a serious blow to the Japanese economy," while a Ministry of Finance official admitted they are keeping a watching brief on the JPY "with a sense of urgency."

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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	72.62					CAD	0.8849	0.9454
NZD/USD	0.6812	0.0000	0.0000	0.0002	0.0010	CHF	0.6219	0.6643
NZD/AUD	0.9361	-0.0002	-0.0005	-0.0008	-0.0004	CNY	4.5166	4.8251
NZD/JPY	71.85	-0.02	-0.09	-0.16	-0.27	DKK	4.2931	4.5863
NZD/EUR	0.5765	-0.0004	-0.0013	-0.0023	-0.0040	FJD	1.4317	1.5295
NZD/GBP	0.5183	-0.0001	-0.0003	-0.0005	-0.0004	HKD	5.2820	5.6428
						KRW	761.97	814.03
AU TWI	60.80					MYR	2.7974	2.9885
AUD/USD	0.7278	0.0002	0.0004	0.0008	0.0014	NOK	6.1545	6.5750
AUD/NZD	1.0683	0.0002	0.0006	0.0009	0.0005	SEK	5.8746	6.2759
AUD/JPY	76.76	-0.01	-0.06	-0.11	-0.25	SGD	0.9180	0.9807
AUD/EUR	0.6159	-0.0003	-0.0010	-0.0020	-0.0040	TWD	19.44	20.76
AUD/GBP	0.5537	0.0000	0.0000	0.0000	-0.0001	ZAR	10.4862	11.2026
USD Index	92.88							
EUR/USD	1.1817	0.0008	0.0026	0.0050	0.0099	<b>EQUITIES</b>		
USD/JPY	105.48	-0.04	-0.14	-0.26	-0.54		<b>Index</b>	
GBP/USD	1.3144	0.0003	0.0009	0.0015	0.0028	NZX50		12,562
EUR/GBP	0.8990	0.0005	0.0014	0.0028	0.0057	ASX200		6,299
						Dow Jones		29,656
						S&P 500		3,620
						FTSE100		6,186
						DAX 30		13,096
						Nikkei		24,840
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light		39.25
						Brent Crude		42.51
						Gold		1,862.00
						Silver		23.89
						CRB Index		160.88

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.29%	0.25%	0.02%	0.02%
90 day bank bills	0.31%	0.27%	0.04%	0.00%
FRA 90d in 3mths	0.17%	0.14%	0.05%	-0.01%
FRA 180d in 6mths	-0.02%	-0.04%	0.05%	0.01%
1 year swap*	0.10%	0.08%	0.03%	0.02%
2 year swap*	0.08%	0.05%	0.05%	0.04%
3 year swap*	0.10%	0.07%	0.09%	0.08%
5 year swap*	0.22%	0.19%	0.29%	0.27%
10 year swap*	0.65%	0.63%	0.86%	0.84%
10 year Govt bond		0.57%		0.77%

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

SOURCE: Bloomberg

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