



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Wednesday 11 November 2020 | [www.bancorp.co.nz](http://www.bancorp.co.nz)

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.6827 | 0.0001  |
| NZD/AUD    | 0.9376 | -0.0008 |
| NZD/JPY    | 71.90  | -0.17   |
| NZD/EUR    | 0.5773 | -0.0023 |
| NZD/GBP    | 0.5153 | -0.0005 |
| NZD/CNH    | 4.5043 | 0.0591  |
| AUD/USD    | 0.7281 | 0.0008  |
| AUD/EUR    | 0.6158 | -0.0019 |
| EUR/USD    | 1.1824 | 0.0050  |
| USD/CNH    | 7.1227 | 0.0854  |
| GBP/USD    | 1.3249 | 0.0015  |
| EUR/GBP    | 0.8924 | 0.0028  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 0.25% | 0.10%     |
| 90 day bills | 0.29% | 0.02%     |
| 2 year swap  | 0.09% | 0.07%     |
| 10 year Govt | 0.72% | 0.92%     |

## COVID vaccines are like buses

You wait for 6 months and then 3 come at once!

Dr Fauci says the Pfizer COVID-19 vaccine news is a “big deal” and that it is likely we will have more than one effective vaccine. By all accounts, the Moderna vaccine is similar to Pfizer’s, and they are expecting results soon, as well. Meanwhile, Eli Lilly’s COVID-19 antibody drug, bamlanivimab (we’re not making this up) has been granted approval for emergency use by the US FDA.

The good news is that in October, the NZ Government signed an agreement to purchase 1.5 million COVID-19 vaccines from Pfizer, subject to the vaccine successfully completing all clinical trials and passing NZ regulatory approval.

The news from China was not so good after their COVID-19 vaccine trial was halted in Brazil after a serious ‘adverse’ event! Meanwhile Chinese inflation for the 12 months to October took a hit against expectations, as the headline CPI printed at 0.5%, which was down on Septembers 1.7% and below expectations of 0.8% producing their lowest reading since October 2009 amid a sharp slowdown in food prices. Producer prices also declined for the year, contracting at -2.1%, worse than the forecast -1.9% contraction.

Australian weekly consumer confidence rose to 103.1 from 99.9 last week, the first net optimistic reading since the pandemic began. Meanwhile, the Australian index of business confidence jumped to 5 in October from September’s -4, the highest reading since May 2019.

The UK’s unemployment rate rose to 4.8% from 4.5% in the September quarter, which was in line with market expectations. Redundancies hit an all-time high of 314,000. Meanwhile, the UK government announced that the furlough scheme will be extended for another month.

## Tech sell-off continues

The market rotation in US equities continued as the market positioned itself into stocks linked to an economic recovery. Tech has been the loser for the session as the Nasdaq slipped 1.5% while the Dow Jones posted modest gains. Globally, equity markets are in the green on the back of the positive news surrounding a potential vaccine. US Treasury yields rose with the 10 year at 0.96% and oil continued its rally as it cements itself over USD40 a barrel.

The NZD/USD did well overnight reaching an 18 month high of 0.6860 before retreating to 0.6820. It wasn’t as bullish for the AUD/USD which was flat around 0.7280. The NZD out performance resulted in the NZD/AUD cross settling around 0.9375.

The latest pick up in Treasury yields saw NZ and Australian swap rates rally across the curve. At the short end of the curve, the 3 year swap rate rallied 10 bps in NZ while the Australian rate remained compressed by the RBA cut last week. At the longer end of the curve swap rates picked up 20 and 15 bps for NZ and Australian rates respectively. Further yield curve steepening is expected in the US, which could translate directly to local swap rates. However, the RBNZ MPC meeting today should drive rates lower.

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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    | 72.69  |            |         |         |         | CAD                | 0.8879       | 0.9470  |
| NZD/USD   | 0.6827 | 0.0000     | 0.0000  | 0.0001  | 0.0009  | CHF                | 0.6241       | 0.6656  |
| NZD/AUD   | 0.9376 | -0.0002    | -0.0005 | -0.0008 | -0.0005 | CNY                | 4.5159       | 4.8164  |
| NZD/JPY   | 71.90  | -0.02      | -0.09   | -0.17   | -0.28   | DKK                | 4.2991       | 4.5852  |
| NZD/EUR   | 0.5773 | -0.0004    | -0.0012 | -0.0023 | -0.0041 | FJD                | 1.4379       | 1.5336  |
| NZD/GBP   | 0.5153 | -0.0001    | -0.0003 | -0.0005 | -0.0004 | HKD                | 5.2927       | 5.6449  |
|           |        |            |         |         |         | KRW                | 762.66       | 813.42  |
| AU TWI    | 61.00  |            |         |         |         | MYR                | 2.8145       | 3.0018  |
| AUD/USD   | 0.7281 | 0.0002     | 0.0004  | 0.0008  | 0.0013  | NOK                | 6.1519       | 6.5613  |
| AUD/NZD   | 1.0666 | 0.0002     | 0.0006  | 0.0009  | 0.0006  | SEK                | 5.8732       | 6.2641  |
| AUD/JPY   | 76.69  | -0.01      | -0.06   | -0.12   | -0.26   | SGD                | 0.9206       | 0.9819  |
| AUD/EUR   | 0.6158 | -0.0003    | -0.0010 | -0.0019 | -0.0040 | TWD                | 19.49        | 20.79   |
| AUD/GBP   | 0.5495 | 0.0000     | 0.0000  | 0.0000  | -0.0001 | ZAR                | 10.6401      | 11.3482 |
| USD Index | 92.73  |            |         |         |         |                    |              |         |
| EUR/USD   | 1.1824 | 0.0008     | 0.0026  | 0.0050  | 0.0099  | <b>EQUITIES</b>    |              |         |
| USD/JPY   | 105.33 | -0.04      | -0.14   | -0.27   | -0.55   |                    | <b>Index</b> |         |
| GBP/USD   | 1.3249 | 0.0003     | 0.0009  | 0.0015  | 0.0028  | NZX50              | 12,612       |         |
| EUR/GBP   | 0.8924 | 0.0005     | 0.0014  | 0.0028  | 0.0056  | ASX200             | 6,341        |         |
|           |        |            |         |         |         | Dow Jones          | 29,360       |         |
|           |        |            |         |         |         | S&P 500            | 3,541        |         |
|           |        |            |         |         |         | FTSE100            | 6,297        |         |
|           |        |            |         |         |         | DAX 30             | 13,163       |         |
|           |        |            |         |         |         | Nikkei             | 24,906       |         |
|           |        |            |         |         |         |                    |              |         |
|           |        |            |         |         |         | <b>COMMODITIES</b> |              |         |
|           |        |            |         |         |         |                    | <b>USD</b>   |         |
|           |        |            |         |         |         | Dubai Light        | 41.94        |         |
|           |        |            |         |         |         | Brent Crude        | 43.37        |         |
|           |        |            |         |         |         | Gold               | 1,876.92     |         |
|           |        |            |         |         |         | Silver             | 24.32        |         |
|           |        |            |         |         |         | CRB Index          | 162.95       |         |

  

| 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  | 0.22%       | 0.19%  | 0.05%     | 0.00%  |
| FRA 180d in 6mths | 0.06%       | 0.03%  | 0.06%     | 0.02%  |
| 1 year swap*      | 0.14%       | 0.11%  | 0.04%     | 0.03%  |
| 2 year swap*      | 0.11%       | 0.08%  | 0.09%     | 0.06%  |
| 3 year swap*      | 0.12%       | 0.10%  | 0.11%     | 0.11%  |
| 5 year swap*      | 0.25%       | 0.23%  | 0.31%     | 0.30%  |
| 10 year swap*     | 0.71%       | 0.68%  | 0.90%     | 0.89%  |
| 10 year Govt bond |             | 0.71%  |           | 0.92%  |

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

SOURCE: Bloomberg

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