



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 3 November 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6619	0.0002
NZD/AUD	0.9398	-0.0006
NZD/JPY	69.39	-0.17
NZD/EUR	0.5694	-0.0023
NZD/GBP	0.5133	-0.0005
NZD/CNH	4.4272	0.0577
AUD/USD	0.7043	0.0006
AUD/EUR	0.6058	-0.0021
EUR/USD	1.1625	0.0050
USD/CNH	7.1227	0.0854
GBP/USD	1.2895	0.0015
EUR/GBP	0.9015	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.28%	0.06%
2 year swap	0.01%	0.06%
10 year Govt	0.55%	0.82%

It was the night before ...

A big orange man came down your chimney with a large bag of COVID! No, let's not scare the kids just yet!

No matter who wins, the next US President will inevitably implement a large stimulus bill, but what is perhaps more relevant is who wins the race for the Senate. A Democratic Senate is much more likely to pass a larger stimulus bill than a Republican Senate, as the current Senate Majority Leader, Mitch McConnell, has stated that he thinks the government has provided enough fiscal aid already. If the Senate flips to the Democrats, expect a stimulus

bill not long after they return to 'the floor' on the 3rd January. If the Senate stays Republican, the passing of the next stimulus bill will be a much longer, drawn out affair.

US indices, which had initially opened strongly, gave up their gains to be flat in the afternoon session as traders squared positions ahead of the election. European exchanges fared slightly better rallying 1.0%-2.0%. In other markets, gold advanced to USD1,892 and oil recovered 1.7%, while the yield on 10-year Treasuries eased to 0.84%.

The US dollar index gained for a fourth straight day, although the NZD/USD and AUD/USD also firmed to 0.6615 and 0.7040 respectfully.

The RBA is exploring the potential implications of using a wholesale form of a central bank digital currency. The project will explore funding, settlement, and repayment of a tokenised syndicated loan on an Ethereum-based DLT platform. Yeah ... I was fine until the last bit, as well.

US ISM Manufacturing PMI jumped to 59.3 in October from 55.4 in September, it's strongest level in 2 years, while China's Caixin Manufacturing PMI printed at 53.6 in October, which was up on September's figure of 53.0, producing it's strongest print since January 2011.

Meanwhile, Australia is so important it has not one, but two manufacturing PMI readings each month. First up was the AiG report for October which showed a

bounce to 56.3 from September's 46.7, while the IHS index showed September and October steady at 54.2 for both months. Make of that what you will ...

Australia's building permits jumped 15.4% for the month of September 2020, following a revised 2.2% fall in August, while in NZ, September building permits jumped +3.6% from the prior months +0.3% gain.

Unite middle England! I'm assuming that we all remember Nigel Farage, the Englishman who launched the Brexit Party in the UK? Well, Mr Farage is now launching a new anti-lockdown party called 'Reform UK.'

First, we had the Finance Minister, then we had the Deputy Finance Minister, and now we've got the hat-trick after the Bank of Korea Governor said he would act to stabilise financial markets if needed! I suspect you can replace 'financial markets' with 'foreign exchange markets!'

And they're racing this time ...

My pick for today's Melbourne Cup. Well, with my history of picking winners, make yourself feel better and just give your money to that man begging on the street! But, if you really want to support your local TAB, try Tiger Moth (apparently a horse beginning with the letter T is the most common winner) or Miami Bound.

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DAILY RATES

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FX	Spot Mid	FECs (mid)				Spot Mid		
		1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.52					CAD	0.8770	0.9332
NZD/USD	0.6619	0.0000	0.0000	0.0002	0.0011	CHF	0.6090	0.6480
NZD/AUD	0.9398	-0.0001	-0.0004	-0.0006	0.0002	CNY	4.4285	4.7122
NZD/JPY	69.39	-0.02	-0.09	-0.17	-0.25	DKK	4.2395	4.5111
NZD/EUR	0.5694	-0.0004	-0.0013	-0.0023	-0.0039	FJD	1.4125	1.5029
NZD/GBP	0.5133	-0.0001	-0.0003	-0.0005	-0.0003	HKD	5.1291	5.4577
						KRW	751.15	799.27
AU TWI	59.30					MYR	2.7439	2.9197
AUD/USD	0.7043	0.0001	0.0004	0.0006	0.0010	NOK	6.3564	6.7635
AUD/NZD	1.0641	0.0001	0.0005	0.0007	-0.0002	SEK	5.9145	6.2934
AUD/JPY	73.84	-0.02	-0.06	-0.13	-0.28	SGD	0.9044	0.9623
AUD/EUR	0.6058	-0.0003	-0.0011	-0.0021	-0.0043	TWD	18.90	20.11
AUD/GBP	0.5462	0.0000	-0.0001	-0.0002	-0.0004	ZAR	10.7649	11.4544
USD Index	94.20							
EUR/USD	1.1625	0.0008	0.0027	0.0050	0.0100	EQUITIES		
USD/JPY	104.86	-0.04	-0.15	-0.28	-0.55		Index	
GBP/USD	1.2895	0.0003	0.0009	0.0015	0.0029	NZX50		12,071
EUR/GBP	0.9015	0.0004	0.0014	0.0028	0.0057	ASX200		5,951
						Dow Jones		26,737
						S&P 500		3,286
						FTSE100		5,655
						DAX 30		11,788
						Nikkei		23,295
						COMMODITIES		
							USD	
						Dubai Light		35.65
						Brent Crude		38.56
						Gold		1,893.04
						Silver		23.95
						CRB Index		154.52

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.29%	0.25%	0.06%	0.06%
90 day bank bills	0.30%	0.26%	0.08%	0.04%
FRA 90d in 3mths	0.17%	0.09%	0.05%	0.00%
FRA 180d in 6mths	-0.09%	-0.11%	0.05%	0.01%
1 year swap*	0.06%	0.03%	0.04%	0.03%
2 year swap*	0.02%	0.00%	0.06%	0.05%
3 year swap*	0.03%	0.01%	0.10%	0.09%
5 year swap*	0.14%	0.11%	0.26%	0.25%
10 year swap*	0.55%	0.52%	0.76%	0.75%
10 year Govt bond		0.54%		0.82%

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

SOURCE: Bloomberg

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