



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Wednesday 4 November 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6688	0.0002
NZD/AUD	0.9355	-0.0007
NZD/JPY	69.93	-0.17
NZD/EUR	0.5715	-0.0023
NZD/GBP	0.5133	-0.0005
NZD/CNH	4.4707	0.0565
AUD/USD	0.7149	0.0007
AUD/EUR	0.6109	-0.0020
EUR/USD	1.1702	0.0050
USD/CNH	7.1227	0.0827
GBP/USD	1.3028	0.0015
EUR/GBP	0.8982	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.28%	0.02%
2 year swap	0.00%	0.04%
10 year Govt	0.54%	0.77%

We've only just begun

As America heads to the polls, short lines and calm prevails throughout early voting. This is perhaps unsurprising given that just under 100 million Americans (99,657,079 according to the US Elections Project) have already cast their vote, which far outstrips the 47 plus million who voted early in 2016. In 2016, a total of just under 139 million people voted which, if this number remains steady, implies over 70% of Americans have already voted.

The issue for Mr Trump in amongst these numbers is that early voters tend to have Democratic tendencies, hence

the President's efforts to limit postal votes, by ensuring political and legal ramifications.

Currently markets are favouring the 'blue' wave scenario, which implies the Democrats take the Senate as well as the Presidency. This is the markets' favoured outcome as it would see a larger stimulus package passed in Q1 2021 and add yet more fuel to the 'raging fire' of equity markets.

With the US polls still open, global markets are a sea of green as risk appetite bounces. Noticeably, European equities outperformed, rallying 2.0-3.0%. Oil markets have continued their rally back towards the USD40 a barrel level, with Crude and Brent up 1.7% and 2.3% respectively, while gold has cemented yesterday's gains, rallying above USD1,900. The US Dollar Index reversed its recent gains, which saw the NZD and AUD rally to 0.6695 and 0.7155 against the USD.

But I'm not going negative!

The RBA played the long game and announced the widely expected rate cut to 0.1%, from 0.25%, although they also announced a new 6 month AUD100 billion bond-buying programme, targeting bonds with maturities of between 5-10 years.

This programme will comprise of securities issued by the federal government, states and territories at an

expected 80:20 split. The RBA also cut the rate paid to commercial lenders for their deposits at the central bank, to 0.0%. After the meeting, RBA Governor, Philip Lowe, commented that his focus was on full employment and that the RBA would not take their interest rates negative!

The penny may have finally dropped, with talk of the growing US deficit finally starting to raise questions, especially as to who is going to pay for it after China cut its holdings of US debt. China was previously the largest holder of Treasuries but has been gradually shedding those holdings amid increasing tensions with the US. According to government data, China last held USD1.06 trillion of US bonds as of August this year, a decline from the USD1.24 trillion it held at the end of 2015. Chinese holdings have now fallen to second place, behind Japan.

Following yesterday's meeting between Jack Ma, the PBoC and three Chinese financial regulators, the USD37 billion Ant Group IPO has been suspended.

The South China Morning Post has reported that China is expected to ban imports of Australian wheat, throwing into doubt AUD560 million of trade.

This follows on from an earlier report that China is set to also ban Australian copper, and sugar, plus delay lobster imports.

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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	71.90					CAD	0.8809	0.9417
NZD/USD	0.6688	0.0000	0.0000	0.0002	0.0012	CHF	0.6106	0.6527
NZD/AUD	0.9355	-0.0001	-0.0005	-0.0007	0.0000	CNY	4.4656	4.7737
NZD/JPY	69.93	-0.03	-0.09	-0.17	-0.25	DKK	4.2557	4.5493
NZD/EUR	0.5715	-0.0004	-0.0013	-0.0023	-0.0039	FJD	1.4277	1.5262
NZD/GBP	0.5133	-0.0001	-0.0003	-0.0005	-0.0002	HKD	5.1839	5.5416
						KRW	757.27	809.52
AU TWI	59.50					MYR	2.7691	2.9602
AUD/USD	0.7149	0.0001	0.0004	0.0007	0.0013	NOK	6.3060	6.7411
AUD/NZD	1.0690	0.0002	0.0005	0.0008	0.0000	SEK	5.9234	6.3321
AUD/JPY	74.76	-0.02	-0.06	-0.12	-0.27	SGD	0.9104	0.9732
AUD/EUR	0.6109	-0.0003	-0.0010	-0.0020	-0.0041	TWD	19.14	20.46
AUD/GBP	0.5487	0.0000	-0.0001	-0.0001	-0.0003	ZAR	10.7738	11.5172
USD Index	93.55							
EUR/USD	1.1702	0.0009	0.0026	0.0050	0.0101	EQUITIES		
USD/JPY	104.58	-0.04	-0.14	-0.28	-0.56		Index	
GBP/USD	1.3028	0.0003	0.0009	0.0015	0.0029	NZX50	12,130	
EUR/GBP	0.8982	0.0005	0.0014	0.0028	0.0057	ASX200	6,066	
						Dow Jones	27,358	
						S&P 500	3,367	
						FTSE100	5,787	
						DAX 30	12,089	
						Nikkei	23,295	
						COMMODITIES		
							USD	
						Dubai Light	38.25	
						Brent Crude	39.86	
						Gold	1,906.92	
						Silver	24.09	
						CRB Index	156.22	

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	0.30%	0.26%	0.04%	0.00%
FRA 90d in 3mths	0.13%	0.09%	0.04%	-0.01%
FRA 180d in 6mths	-0.09%	-0.11%	0.03%	-0.01%
1 year swap*	0.07%	0.04%	0.02%	0.01%
2 year swap*	0.01%	-0.02%	0.05%	0.04%
3 year swap*	0.02%	-0.01%	0.09%	0.08%
5 year swap*	0.12%	0.09%	0.26%	0.25%
10 year swap*	0.52%	0.50%	0.79%	0.78%
10 year Govt bond		0.52%		0.77%

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

SOURCE: Bloomberg

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