



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Thursday 5 November 2020 | [www.bancorp.co.nz](http://www.bancorp.co.nz)

CURRENCIES	Spot	6mths
NZD/USD	0.6694	0.0002
NZD/AUD	0.9313	-0.0007
NZD/JPY	69.92	-0.16
NZD/EUR	0.5712	-0.0023
NZD/GBP	0.5151	-0.0005
NZD/CNH	4.4354	0.0556
AUD/USD	0.7189	0.0007
AUD/EUR	0.6134	-0.0020
EUR/USD	1.1719	0.0049
USD/CNH	7.1227	0.0815
GBP/USD	1.2995	0.0015
EUR/GBP	0.9018	0.0028

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.28%	0.02%
2 year swap	0.01%	0.04%
10 year Govt	0.57%	0.79%

## Who cares about the Presidency

When all the power rests with the Senate?

A weaker than forecast Democratic showing in the Senate has left investors attempting to figure out how a split balance of power will impact upon the next round of fiscal stimulus and infrastructure spending. Ultimately though, without a clean sweep by either party, we will be left with a combative political environment with both parties holding different degrees of legislative power. But, as far as the markets are concerned, without a Democratic clean sweep there will no personal or corporate tax hikes and, with Senate Majority

Leader, Mitch McConnell, stating the need for a stimulus bill before the end of the year, it just makes sense to buy everything!

While this political divide may result in less outright fiscal stimulus, which could lead to a rally in the dollar, at the same time it adds to pressure on the Federal Reserve to pump even more money into the COVID hit economy.

Ultimately, while we await the final outcome of the US presidential vote, with the inevitable legal ramifications, the market has taken the positives and put in a stellar performance! In fact, at this stage, is it really that relevant who wins the Presidency? Yes, European equities put in a good shift, rallying 1.0%-2.0%, but US equities rallied the most since last May with the Dow up 2.4%, the S&P rallying 3.1%, and the NASDAQ on fire to be up 4.5%!

The prospects of a reduced trillion-dollar fiscal package has also prompted investors to bid up Treasury bonds amid diminishing inflationary pressures, sending yields to its lowest levels since June. This saw the US 10 year yield plummeting a whopping 11 basis points overnight from 0.88% to 0.77%, while the German bund has also retraced further into negative territory to yield -0.66%.

In amongst this, with a sense of stability returning to markets, we also saw the VIX volatility index fall back below the psychological 30.0 level to be at 29.1,

while commodities have also firmed, especially the energy sector with oil tracking back towards the USD40.00 level.

Unsurprisingly, currencies have also been whippy with the NZD/USD at 0.6695 and AUD/USD at 0.7185. Interestingly, the NZD/AUD has fallen further to 0.9320.

## Could the Brits have a vaccine?

Sky News UK has reported that the NHS has been told to prepare for a possible vaccine rollout as early as December, with GPs also on standby to start vaccinating the people over the age of 85, and frontline health workers from the beginning of next month.

Let's keep things on a familiar keel ... Brexit! Local newspapers have reported the latest trade talks have yielded progress, with Trade negotiators expected to advise a deal is possible.

The NZ commodity price index for October showed a 1.9% gain on the month from -0.2% in September.

Australian 3 month funding costs have almost halved ... yes, you heard us correctly! Mind you, it was only 2 basis points after BBSW (the Australian equivalent of BKBM) fell from 0.055% to 0.029%.

In last minute news, Trump's campaign has filed a lawsuit to stop the counting of ballots in Michigan! And so, it begins ....



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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	71.79					CAD	0.8783	0.9430
NZD/USD	0.6694	0.0000	0.0000	0.0002	0.0011	CHF	0.6108	0.6559
NZD/AUD	0.9313	-0.0001	-0.0005	-0.0007	0.0000	CNY	4.4540	4.7826
NZD/JPY	69.92	-0.02	-0.09	-0.16	-0.25	DKK	4.2533	4.5670
NZD/EUR	0.5712	-0.0004	-0.0013	-0.0023	-0.0039	FJD	1.4193	1.5240
NZD/GBP	0.5151	-0.0001	-0.0003	-0.0005	-0.0003	HKD	5.1923	5.5753
						KRW	754.61	810.27
AU TWI	60.20					MYR	2.7634	2.9673
AUD/USD	0.7189	0.0001	0.0004	0.0007	0.0012	NOK	6.2374	6.6975
AUD/NZD	1.0738	0.0002	0.0006	0.0008	0.0000	SEK	5.8828	6.3167
AUD/JPY	75.08	-0.01	-0.06	-0.12	-0.27	SGD	0.9090	0.9761
AUD/EUR	0.6134	-0.0003	-0.0010	-0.0020	-0.0042	TWD	19.18	20.59
AUD/GBP	0.5532	0.0000	-0.0001	-0.0001	-0.0003	ZAR	10.6186	11.4019
USD Index	93.45							
EUR/USD	1.1719	0.0008	0.0026	0.0049	0.0100			
USD/JPY	104.45	-0.04	-0.14	-0.27	-0.55			
GBP/USD	1.2995	0.0002	0.0009	0.0015	0.0028			
EUR/GBP	0.9018	0.0004	0.0014	0.0028	0.0057			
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%	0.10%	0.03%	-0.02%				
FRA 180d in 6mths	-0.09%	-0.11%	0.03%	-0.01%				
1 year swap*	0.06%	0.04%	0.02%	0.01%				
2 year swap*	0.03%	-0.01%	0.05%	0.04%				
3 year swap*	0.04%	0.01%	0.08%	0.08%				
5 year swap*	0.15%	0.12%	0.24%	0.22%				
10 year swap*	0.57%	0.54%	0.74%	0.73%				
10 year Govt bond		0.55%		0.79%				

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

EQUITIES	Index
NZX50	12,200
ASX200	6,062
Dow Jones	28,110
S&P 500	3,464
FTSE100	5,883
DAX 30	12,324
Nikkei	23,695

COMMODITIES	USD
Dubai Light	39.19
Brent Crude	41.19
Gold	1,898.13
Silver	23.91
CRB Index	157.93

SOURCE: Bloomberg