



MARKET ALERT

Friday 6 November 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6770	0.0002
NZD/AUD	0.9305	-0.0007
NZD/JPY	70.17	-0.16
NZD/EUR	0.5729	-0.0023
NZD/GBP	0.5162	-0.0004
NZD/CNH	4.4772	0.0578
AUD/USD	0.7277	0.0007
AUD/EUR	0.6158	-0.0020
EUR/USD	1.1817	0.0050
USD/CNH	7.1227	0.0838
GBP/USD	1.3115	0.0014
EUR/GBP	0.9011	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.29%	0.02%
2 year swap	0.01%	0.04%
10 year Govt	0.52%	0.74%

My lawyer is bigger than your lawyer!

With ‘Sleepy’ Joe on the brink of claiming the presidency and a certain Mr. Trump lawyering up, we haven’t yet got a definitive winner, but at least we’re slowly getting there!

Financial markets are liking the idea that we’ll soon have a winner and that the uncertainty will soon be over. Once again, Asian and European stocks set the foundation, rallying 1.0-2.0%, while US shares take the glory to post its biggest three day rally since April. In fact, the Nasdaq, which is currently up 2.5%, has jumped almost 9.0% this week.

Meanwhile, the US dollar index touched its lowest level since May 2018 as currency markets reverted to trend, which saw the NZD/USD and AUD/USD jump to 0.6760 and 0.7265 respectively, while the NZD/AUD fell to 0.9305. Commodities were ‘Steady Eddy’ — as were bond markets — with 10 year yields at 0.78% in the US and -0.65 in Germany.

In actual news, the BoE maintained its cash rate at a record low of 0.1%, as was expected, although, they increased the size of its bond-buying program by a larger-than-expected GBP150 billion.

The UKs QE programme is now at a staggering GBP875 billion as the central bank sees the British economy shrinking by 11.0% in Q4 2020, much worse than a 5.4% drop projected in August!

Is the time right to expand?

Well, NZ Prime Minister, Jacinda Ardern, certainly thinks so, because she has increased funding for firms to employ more workers, and she has also extended the small business lending program.

Meanwhile, New Zealand’s preliminary business confidence numbers for November were in line with expectations at -15.6% and own activity was unchanged at +5.0%.

Drilling into the detail, investment intentions fell 5.0%, employment intentions lifted 2.0%, and capacity utilisation, a good indicator for GDP, lifted 8%.

The September Australian trade balance produced a AUD5.63 billion surplus versus an expected gain of AUD3.7 billion, mainly driven by a large drop in imports. Unsurprisingly, US nonfarm labour costs plunged 8.9% in Q3 following Q2’s 9.0% rise, while the number of Americans filing for unemployment benefits declined to 751k for the week.

A Chinese state owned newspaper has acknowledged the existence of a ban on 7 Australian commodities, something that had previously been denied by Beijing. Products include wine, coal, barley, copper ore and concentrate, sugar, timber, some meat, and lobsters ... wait a minute, that’s more than 7 ... with bans impacting upon AUD6 billion of goods.

UK Prime Minister, Boris Johnson, let slip “*there is light at the end of the tunnel on COVID*” while the Deutsche Bundesbank president, Jens Weidmann, said “*this time the economic fallout is likely to be less severe than in the spring.*” We would suspect the COVID news will get a lot worse in the northern hemisphere before it gets better!

In currency intervention news, the Swiss National Bank Governing Board member, Andrea Maechler, stated “*we have not yet reached (our) limit of FX intervention.*”

In late news, the Fed left rates unchanged and maintained their standard rhetoric, “*we will do whatever it takes!*”

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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	72.12					CAD	0.8834	0.9494
NZD/USD	0.6770	0.0000	0.0000	0.0002	0.0011	CHF	0.6131	0.6589
NZD/AUD	0.9305	-0.0001	-0.0004	-0.0007	-0.0001	CNY	4.4726	4.8069
NZD/JPY	70.17	-0.02	-0.09	-0.16	-0.24	DKK	4.2667	4.5856
NZD/EUR	0.5729	-0.0004	-0.0012	-0.0023	-0.0039	FJD	1.4328	1.5399
NZD/GBP	0.5162	-0.0001	-0.0003	-0.0004	-0.0002	HKD	5.2500	5.6424
						KRW	760.32	817.15
AU TWI	60.40					MYR	2.7878	2.9961
AUD/USD	0.7277	0.0001	0.0004	0.0007	0.0013	NOK	6.2134	6.6778
AUD/NZD	1.0747	0.0002	0.0005	0.0008	0.0001	SEK	5.8919	6.3323
AUD/JPY	75.42	-0.01	-0.06	-0.12	-0.26	SGD	0.9148	0.9832
AUD/EUR	0.6158	-0.0003	-0.0010	-0.0020	-0.0041	TWD	19.34	20.79
AUD/GBP	0.5548	0.0000	-0.0001	-0.0001	-0.0002	ZAR	10.6496	11.4456
USD Index	92.71							
EUR/USD	1.1817	0.0008	0.0026	0.0050	0.0100	EQUITIES		
USD/JPY	103.65	-0.03	-0.13	-0.26	-0.53		Index	
GBP/USD	1.3115	0.0002	0.0008	0.0014	0.0027	NZX50	12,250	
EUR/GBP	0.9011	0.0004	0.0014	0.0028	0.0057	ASX200	6,140	
						Dow Jones	28,427	
						S&P 500	3,517	
						FTSE100	5,906	
						DAX 30	12,568	
						Nikkei	24,105	
						COMMODITIES		
							USD	
						Dubai Light	39.52	
						Brent Crude	40.86	
						Gold	1,946.39	
						Silver	25.07	
						CRB Index	158.57	

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	0.13%	0.10%	0.04%	-0.01%
FRA 180d in 6mths	-0.08%	-0.10%	0.03%	-0.01%
1 year swap*	0.09%	0.06%	0.02%	0.01%
2 year swap*	0.02%	0.00%	0.04%	0.03%
3 year swap*	0.02%	0.00%	0.08%	0.08%
5 year swap*	0.12%	0.10%	0.24%	0.22%
10 year swap*	0.51%	0.49%	0.73%	0.72%
10 year Govt bond		0.50%		0.74%

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

SOURCE: Bloomberg

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