



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 9 November 2020 | www.bancorp.co.nz

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6782 | 0.0001 |
| NZD/AUD | 0.9325 | -0.0007 |
| NZD/JPY | 70.00 | -0.16 |
| NZD/EUR | 0.5706 | -0.0023 |
| NZD/GBP | 0.5153 | -0.0005 |
| NZD/CNH | 4.4701 | 0.0583 |
| AUD/USD | 0.7273 | 0.0007 |
| AUD/EUR | 0.6120 | -0.0020 |
| EUR/USD | 1.1884 | 0.0050 |
| USD/CNH | 7.1227 | 0.0847 |
| GBP/USD | 1.3160 | 0.0014 |
| EUR/GBP | 0.9030 | 0.0028 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 0.25% | 0.10% |
| 90 day bills | 0.29% | 0.02% |
| 2 year swap | 0.04% | 0.04% |
| 10 year Govt | 0.57% | 0.75% |

Biden wins!

But there's nothing worse than a scorned President ...

While President elect Biden has been taking the plaudits, US President Donald Trump stated that his campaign is a victim of widespread electoral fraud ... although he has yet to produce any evidence. Mind you, he may have bigger issues after the US Office of Special Counsel opened an investigation into the Trump campaign's use of the White House for campaign-related activities. This, combined with two outstanding lawsuits in New York, does leave Mr Trump in a rather precarious

position, because once he has relinquished his position in the White House, he will no longer be afforded the protection of the Office of the Presidency.

So, what does this mean for markets? In time we would expect the USD to revert to its weakening trend, and for equity markets, particularly the US markets, to revert to their 'sugar-frenzy' rally spurred on by cheap money. In reality though, with a reduced majority in the House of Representatives and, at best, a split Senate that will, most likely maintain its Republican majority, it will be difficult for Mr Biden to push through significant political change.

Friday night's non-farm payrolls beat expectations with 638k jobs added in October, beating initial estimates of 530k, which saw the US unemployment rate fall to 6.9% from September's 7.9%. And while this was a positive, traders were more concerned with taking profits following the week's stellar performance, which ultimately meant Friday was a flat session for US equities while European equities were slightly weaker. The US 10 year treasury bond recovered some of its previous weakness to yield 0.82%, while the German bund following its directional bend to yield -0.62%.

The first markets to open after the Biden announcement were in the Middle East where Sunday trading saw stock indexes rise on hopes of a reconciliatory tone in US foreign policy settings.

With the New Zealand markets being the first to open this morning, we've seen very little price action, but what we have seen so far has been supportive of the 'risk' currencies with US dollar weakness prevailing. Currently the NZD/USD is at 0.6782, the AUD/USD is trading at 0.7275, and the NZD/AUD continues to hover at the 0.9230 level. From an NZD/USD perspective, the risk is that we will soon crack into a new, higher range.

The new, unbeatable trading strategy

Warren Buffett might have just found the new way to trade ... just buy your own stock!

In the first 9-months of 2020, Berkshire Hathaway spent USD16 billion buying back its own stock in one of their biggest investments in years.

The RBA's *Statement on Monetary Policy* announced that the Board is prepared to expand the bond buying program if needed and that they will closely monitor the impact of bond purchases on the economy and on jobs. The Board is not contemplating a further reduction in interest rates as they believe there is little to be gained from moving to negative interest rates, and they are committed to not raise rates until inflation is sustainably in the 2-3.0% target band.

**BANCORP**

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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 | 72.17 | | | | | CAD | 0.8840 | 0.9480 |
| NZD/USD | 0.6782 | 0.0000 | 0.0000 | 0.0001 | 0.0010 | CHF | 0.6097 | 0.6538 |
| NZD/AUD | 0.9325 | -0.0002 | -0.0005 | -0.0007 | -0.0002 | CNY | 4.4780 | 4.8024 |
| NZD/JPY | 70.00 | -0.02 | -0.09 | -0.16 | -0.25 | DKK | 4.2530 | 4.5610 |
| NZD/EUR | 0.5706 | -0.0004 | -0.0012 | -0.0023 | -0.0040 | FJD | 1.4243 | 1.5275 |
| NZD/GBP | 0.5153 | -0.0001 | -0.0003 | -0.0005 | -0.0003 | HKD | 5.2582 | 5.6391 |
| | | | | | | KRW | 759.85 | 814.89 |
| AU TWI | 60.90 | | | | | MYR | 2.8038 | 3.0069 |
| AUD/USD | 0.7273 | 0.0001 | 0.0004 | 0.0007 | 0.0013 | NOK | 6.1973 | 6.6463 |
| AUD/NZD | 1.0724 | 0.0002 | 0.0006 | 0.0008 | 0.0003 | SEK | 5.8645 | 6.2893 |
| AUD/JPY | 75.20 | -0.01 | -0.06 | -0.11 | -0.25 | SGD | 0.9146 | 0.9808 |
| AUD/EUR | 0.6120 | -0.0003 | -0.0010 | -0.0020 | -0.0041 | TWD | 19.33 | 20.73 |
| AUD/GBP | 0.5527 | 0.0000 | 0.0000 | -0.0001 | -0.0002 | ZAR | 10.5815 | 11.3480 |
| USD Index | 92.23 | | | | | | | |
| EUR/USD | 1.1884 | 0.0008 | 0.0026 | 0.0050 | 0.0101 | EQUITIES | | |
| USD/JPY | 103.40 | -0.03 | -0.13 | -0.26 | -0.52 | | Index | |
| GBP/USD | 1.3160 | 0.0002 | 0.0008 | 0.0014 | 0.0028 | NZX50 | 12,337 | |
| EUR/GBP | 0.9030 | 0.0005 | 0.0014 | 0.0028 | 0.0057 | ASX200 | 6,190 | |
| | | | | | | Dow Jones | 28,323 | |
| | | | | | | S&P 500 | 3,509 | |
| | | | | | | FTSE100 | 5,910 | |
| | | | | | | DAX 30 | 12,480 | |
| | | | | | | Nikkei | 24,325 | |
| | | | | | | | | |
| | | | | | | COMMODITIES | | |
| | | | | | | | USD | |
| | | | | | | Dubai Light | 39.18 | |
| | | | | | | Brent Crude | 39.45 | |
| | | | | | | Gold | 1,950.26 | |
| | | | | | | Silver | 25.59 | |
| | | | | | | CRB Index | 156.92 | |

| 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 | 0.15% | 0.12% | 0.04% | -0.01% |
| FRA 180d in 6mths | -0.06% | -0.08% | 0.03% | -0.01% |
| 1 year swap* | 0.09% | 0.06% | 0.03% | 0.00% |
| 2 year swap* | 0.05% | 0.02% | 0.04% | 0.03% |
| 3 year swap* | 0.06% | 0.03% | 0.08% | 0.07% |
| 5 year swap* | 0.16% | 0.13% | 0.24% | 0.24% |
| 10 year swap* | 0.56% | 0.53% | 0.76% | 0.75% |
| 10 year Govt bond | | 0.55% | | 0.75% |

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

SOURCE: Bloomberg

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