



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Thursday 17 September 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6726	-0.0002
NZD/AUD	0.9219	-0.0008
NZD/JPY	70.58	-0.23
NZD/EUR	0.5697	-0.0026
NZD/GBP	0.5187	-0.0008
NZD/CNH	4.5415	0.0518
AUD/USD	0.7296	0.0004
AUD/EUR	0.6180	-0.0023
EUR/USD	1.1805	0.0049
USD/CNH	7.1227	0.0792
GBP/USD	1.2966	0.0015
EUR/GBP	0.9105	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.09%
2 year swap	0.04%	0.11%
10 year Govt	0.58%	0.87%

Fed fun day

The Fed played today's FOMC meeting with a straight bat leaving their federal funds target range unchanged at 0-0.25% signalling it would stay there through to 2023, and possibly even longer!

The vote was 8-2 with Dallas Fed President, Robert S Kaplan, preferring to retain a "greater policy rate flexibility," while Minneapolis Fed President, Neel Kashkari, was in favour of waiting for a rate hike when "core inflation has reached 2% on a sustained basis."

There was also a subtle change in the statement with the inclusion that the Committee "will aim to achieve inflation

moderately above 2% for some time, so that inflation averages 2%," while they also amended their economic forecasts to reflect a smaller decline in GDP predicting the US economy will shrink 3.7% in 2020, compared to the 6.5% drop projected in June, and a lower unemployment rate at 7.6% for this year against an earlier forecast of 9.3%.

The Fed repeated it will continue buying Treasuries and mortgage-backed securities "at least at the current pace to sustain smooth market functioning," but while markets were in positive territory heading into the announcement, the statement added a little more fuel to the equity fire, over the course of the Q&A session the market started to lose some of its shine as the Chair did not allude to more QE nor extending their bond purchase programme out across the curve.

The S&P500 and Nasdaq have turned negative and the Dow is dropping from its intra-day high. In a similar vein, treasuries were unimpressed with the 10-year yield at 0.69% while currency markets are steady with the NZD/USD at 0.6727 and the AUD/USD at 0.7297, although the NZD/AUD has firmed a touch to 0.9220.

In other news, the latest tech company has arrived, and it is called Snowflake! Snowflake, who provide public cloud services, saw their shares rally 119% on its IPO today, and while it is now valued

at almost USD68 billion, it is hoped that one day it may even make a profit!

NZ, not so fun day

The NZ pre-election *Economic and Fiscal Update* released yesterday by the New Zealand Treasury outlines that the outlook for the government's books is similar to what was suggested in the May budget.

The lockdown rebounds have translated into a stronger starting point for the nation than what was previously expected, while the longer-term forecasts (2024) are expected to be slightly dimmer.

Treasury's forecasts of June quarter GDP, despite being more bearish than any of the banks, was a lot more positive than their May forecast ... forecasting only a 16% drop from the 24.5% contraction previously predicted.

Meanwhile its forecasts for peak unemployment have fallen from 9.8% to 7.8% but expect this period of higher unemployment to last longer than previous estimates.

The NZDMO have downgraded their bond issuance guidance by NZD10 billion over the four year horizon which saw yields drift lower and flatten yesterday.

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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	72.29					CAD	0.8859	0.9609
NZD/USD	0.6726	0.0000	-0.0001	-0.0002	0.0004	CHF	0.6120	0.6639
NZD/AUD	0.9219	-0.0001	-0.0004	-0.0008	0.0000	CNY	4.5424	4.9275
NZD/JPY	70.58	-0.03	-0.10	-0.23	-0.36	DKK	4.2381	4.5974
NZD/EUR	0.5697	-0.0004	-0.0012	-0.0026	-0.0044	FJD	1.4143	1.5342
NZD/GBP	0.5187	-0.0001	-0.0003	-0.0008	-0.0008	HKD	5.2117	5.6535
						KRW	789.39	856.31
AU TWI	62.10					MYR	2.7861	3.0223
AUD/USD	0.7296	0.0001	0.0002	0.0004	0.0004	NOK	6.0743	6.5892
AUD/NZD	1.0848	0.0001	0.0005	0.0009	0.0000	SEK	5.9226	6.4247
AUD/JPY	76.57	-0.03	-0.08	-0.18	-0.39	SGD	0.9142	0.9917
AUD/EUR	0.6180	-0.0004	-0.0010	-0.0023	-0.0048	TWD	19.66	21.32
AUD/GBP	0.5627	-0.0001	-0.0001	-0.0004	-0.0008	ZAR	10.9686	11.8985
USD Index	93.19							
EUR/USD	1.1805	0.0008	0.0023	0.0049	0.0099	EQUITIES		
USD/JPY	104.96	-0.05	-0.14	-0.31	-0.59		Index	
GBP/USD	1.2966	0.0002	0.0006	0.0015	0.0027	NZX50	11,815	
EUR/GBP	0.9105	0.0005	0.0013	0.0028	0.0057	ASX200	5,956	
						Dow Jones	28,032	
						S&P 500	3,386	
						FTSE100	6,078	
						DAX 30	13,255	
						Nikkei	23,476	
						COMMODITIES		
							USD	
						Dubai Light	40.11	
						Brent Crude	42.27	
						Gold	1,957.94	
						Silver	27.13	
						CRB Index	159.06	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.30%	0.26%	0.09%	0.09%
90 day bank bills	0.32%	0.28%	0.11%	0.07%
FRA 90d in 3mths	0.29%	0.23%	0.12%	0.07%
FRA 180d in 6mths	-0.05%	-0.07%	0.13%	0.09%
1 year swap*	0.13%	0.10%	0.11%	0.07%
2 year swap*	0.05%	0.03%	0.12%	0.10%
3 year swap*	0.06%	0.03%	0.14%	0.13%
5 year swap*	0.14%	0.11%	0.31%	0.30%
10 year swap*	0.55%	0.52%	0.81%	0.79%
10 year Govt bond		0.56%		0.87%

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

SOURCE: Bloomberg

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