



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 21 September 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6758	-0.0003
NZD/AUD	0.9273	-0.0009
NZD/JPY	70.63	-0.23
NZD/EUR	0.5706	-0.0026
NZD/GBP	0.5226	-0.0009
NZD/CNH	4.5754	0.0531
AUD/USD	0.7288	0.0004
AUD/EUR	0.6154	-0.0022
EUR/USD	1.1844	0.0049
USD/CNH	7.1227	0.0815
GBP/USD	1.2936	0.0016
EUR/GBP	0.9155	0.0026

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.09%
2 year swap	0.05%	0.13%
10 year Govt	0.54%	0.89%

R.I.P. RBG

While the passing of an 87-year-old US Supreme Court Justice is not normally something that affects financial markets, Ruth Bader Ginsburg's ("RBG") passing on Friday has created a confirmation fight that could shake up the odds of who wins the next Presidency. Trump and the Republican-controlled Senate will want to replace her quickly with a conservative judge while the democrats will want to name their appointee after the election.

The Fed has announced it is considering extending their rules on limiting bank dividend payments and buybacks until the end of 2020. The Fed is preparing a second round of stress tests for the

largest US banks and will announce their decision on the extension in 2 weeks time.

In a slap in the face to Donald Trump, a Federal Judge has blocked changes to the US postal service, saying they were "politically motivated."

US data

The University of Michigan's consumer sentiment survey jumped to 78.9 in September, up from August's 74.1, while the current account deficit widened by USD59 billion, or 52.9%, to USD170.5 billion in Q2 2020, the biggest jump since Q3 2008 and is the equivalent to 3.5% of GDP, compared to 2.1% in Q1.

Friday night saw international indices trade into the red as weaker-than-expected US data for industrial production, retail sales, housing starts, and initial jobless claims raised concern over the US economic recovery. This saw the US dollar index have its first weekly decline since August and the NZD/USD hit a 2020 high of 0.6798 before easing back to 0.6760. The AUD/USD is at 0.7292 and the US 10-year yield is at 0.70%.

Fonterra announced a dividend of 5 cents per share, a final milk price for the 2019/20 season of NZD7.14 and a weighted average NZD/USD exchange rate of 0.6638 against an average spot rate of 0.6361.

It's official, Finance Minister, Grant Robertson, has hit the big time, being

interviewed by Bloomberg TV from Palmerston North. Mr Robertson said the economy is rebounding from recession and that the economy will improve further by early 2021.

Don't get your hopes up for Christmas shopping in Sydney after Air NZ CEO, Greg Foran, announced, "I certainly do not believe we will see anything across the Tasman this calendar year." This came after the CEO of Qantas saw his pay plummet 83% after COVID impacted his incentive scheme.

The ECB is to review its COVID emergency bond purchase scheme, to consider how long the PEPP scheme should continue for and whether some of its extra flexibility should be transferred to the ECB's longer running asset-purchase schemes.

It's time to wear helmets ...

Global Times, the unofficial mouthpiece for the Chinese communist party, has tweeted "China will use non-peaceful means to solve the Taiwan question once and for all" while the Chinese navy has announced it will conduct legitimate military exercises in the Taiwan Strait.

Following on from the TikTok sale, rumour has it the US may now be targeting China's Tencent on security issues.

The Hong Kong Monetary Authority ("HKMA"), the pseudo central bank, has increased its intervention efforts to maintain the HKD peg.



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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	72.71					CAD	0.8925 0.9625
NZD/USD	0.6758	-0.0001	-0.0002	-0.0003	0.0002	CHF	0.6153 0.6636
NZD/AUD	0.9273	-0.0002	-0.0005	-0.0009	-0.0003	CNY	4.5757 4.9346
NZD/JPY	70.63	-0.04	-0.11	-0.23	-0.38	DKK	4.2456 4.5787
NZD/EUR	0.5706	-0.0004	-0.0012	-0.0026	-0.0045	FJD	1.4197 1.5311
NZD/GBP	0.5226	-0.0001	-0.0004	-0.0009	-0.0011	HKD	5.2374 5.6483
						KRW	787.52 849.31
AU TWI	62.00					MYR	2.7942 3.0134
AUD/USD	0.7288	0.0001	0.0002	0.0004	0.0005	NOK	6.1428 6.6248
AUD/NZD	1.0785	0.0002	0.0005	0.0010	0.0003	SEK	5.9235 6.3882
AUD/JPY	76.19	-0.03	-0.08	-0.18	-0.38	SGD	0.9188 0.9909
AUD/EUR	0.6154	-0.0004	-0.0010	-0.0022	-0.0047	TWD	19.65 21.19
AUD/GBP	0.5634	-0.0001	-0.0001	-0.0004	-0.0010	ZAR	11.0100 11.8738
USD Index	92.93						
EUR/USD	1.1844	0.0008	0.0023	0.0049	0.0099		
USD/JPY	104.55	-0.05	-0.14	-0.30	-0.59		
GBP/USD	1.2936	0.0002	0.0006	0.0016	0.0031		
EUR/GBP	0.9155	0.0004	0.0013	0.0026	0.0054		
INTEREST RATES		New Zealand		Australia		EQUITIES	
		Borrow	Invest	Borrow	Invest		Index
30 day bank bills		0.30%	0.26%	0.09%	0.09%	NZX50	11,634
90 day bank bills		0.32%	0.28%	0.11%	0.07%	ASX200	5,865
FRA 90d in 3mths		0.29%	0.27%	0.12%	0.07%	Dow Jones	27,657
FRA 180d in 6mths		-0.02%	-0.04%	0.13%	0.09%	S&P 500	3,319
1 year swap*		0.15%	0.10%	0.10%	0.09%	FTSE100	6,007
2 year swap*		0.06%	0.03%	0.13%	0.12%	DAX 30	13,116
3 year swap*		0.07%	0.04%	0.17%	0.16%	Nikkei	23,360
5 year swap*		0.15%	0.12%	0.35%	0.33%		
10 year swap*		0.55%	0.53%	0.83%	0.81%	COMMODITIES	
10 year Govt bond			0.53%		0.89%		USD

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

SOURCE: Bloomberg

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