

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Wednesday 28 October 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6713	0.0001
NZD/AUD	0.9411	-0.0007
NZD/JPY	70.13	-0.18
NZD/EUR	0.5683	-0.0023
NZD/GBP	0.5142	-0.0005
NZD/CNH	4.5009	0.0588
AUD/USD	0.7133	0.0006
AUD/EUR	0.6038	-0.0020
EUR/USD	1.1813	0.0050
USD/CNH	7.1227	0.0865
GBP/USD	1.3055	0.0015
EUR/GBP	0.9049	0.0028
INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.27%	0.06%
2 year swap	0.00%	0.06%
10 year Govt	0.55%	0.80%

NZD is caught in the headlights

Not to be all doom and gloom ... but the headlines aren't helping!

Last night it was all about the NZD as we ground to a new high not seen since mid September. Currently the NZD is trading at 0.6720 against the USD, with the NZD/CNH at 4.5030, NZD/JPY at 70.15, and the NZD at 0.9410 against the AUD.

And we hear you asking, why is the NZD the toast of international markets this morning? Well, in a world of bad news, recessions, and furloughed workers, the NZD has become a 'safe-haven' of sorts as our stable government, strong COVID

response, strong fiscal balance sheet and stable credit rating have collectively seen the NZD outperform. In fact, speculators are long the NZD at levels not seen since March 2018.

In other market related movements, the AUD/USD is steady at 0.7140, the US 10 year treasury continued its retracement to 0.77%, while commodities, especially oil, partially recovered yesterday's losses. European bourses were down 1.5%-2.5% although US equities have recovered to be broadly flat. Interestingly, veteran investor, Mark Mobius, has warned of a 'double top' in the S&P 500, which is a bearish sign, and Microsoft is reporting after the bell.

In overnight data releases, US durable goods orders surged 1.9% for the month of September, exceeding the 0.5% expectation, while the S&P CoreLogic Case-Shiller 20 city home price index recorded an annualised 5.2% jump in house prices, exceeding expectations of a 4.2% gain. In the UK, the CBI retail sales balance dropped to -23 in October, in stark contrast to the previous months 18-month high of +11 and well below market expectations of +1. Meanwhile NZ's trade balance for September headlined at NZD -1,017m, in line with the expected NZD -1,013m.

Finally, no more stimulus talk

For now ...

Republican Senate leader, Mitch McConnell, has adjourned the Senate until 9 November, which means we can finally stop talking about a pre-election

stimulus package! We are now exactly a week away from the US election.

BlackRock, the world's largest asset manager, has downgraded its nominal US Treasuries and upgraded its inflation-linked peers. Their theory is that a Democrat clean sweep would lead to greater fiscal expansion driving treasury yields higher and outright prices lower.

The US Senate has confirmed Amy Coney Barrett as a Supreme Court judge, while the Supreme Court ruled in Trump's favour late yesterday stating that mail-in votes postmarked on or before the election wouldn't count if received after 3 November.

Just to strain US-Chinese relations further, the US has approved a further USD2.4 billion of advanced weapon sales to Taiwan.

The South Korean vice Finance Minister has followed his bosses lead and said he will intervene in FX markets if needed.

Japanese finance minister, Taro Aso, wants Japan to step into Hong Kong's place as a financial hub, what will Singapore have to say on the matter?

Finally, to end with a bit of luxury, US jeweller Tiffany is willing to consider cutting the price of its USD16.6 billion deal to avoid court battle with French goods group LVMH.



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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	72.19					CAD	0.8839
NZD/USD	0.6713	0.0000	0.0000	0.0001	0.0011	CHF	0.6092
NZD/AUD	0.9411	-0.0002	-0.0005	-0.0007	0.0001	CNY	4.5012
NZD/JPY	70.13	-0.03	-0.10	-0.18	-0.27	DKK	4.2280
NZD/EUR	0.5683	-0.0004	-0.0013	-0.0023	-0.0039	FJD	1.4246
NZD/GBP	0.5142	-0.0001	-0.0004	-0.0005	-0.0003	HKD	5.2023
						KRW	757.71
AU TWI	60.20					MYR	2.7856
AUD/USD	0.7133	0.0001	0.0003	0.0006	0.0011	NOK	6.1487
AUD/NZD	1.0626	0.0002	0.0005	0.0008	-0.0001	SEK	5.8502
AUD/JPY	74.52	-0.02	-0.07	-0.14	-0.29	SGD	0.9128
AUD/EUR	0.6038	-0.0003	-0.0011	-0.0020	-0.0042	TWD	19.18
AUD/GBP	0.5464	0.0000	-0.0001	-0.0002	-0.0004	ZAR	10.8482
							11.5271
USD Index	92.91						
EUR/USD	1.1813	0.0008	0.0026	0.0050	0.0100		
USD/JPY	104.48	-0.04	-0.14	-0.28	-0.56		
GBP/USD	1.3055	0.0002	0.0009	0.0015	0.0028		
EUR/GBP	0.9049	0.0005	0.0014	0.0028	0.0057		

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.29%	0.25%	0.06%	0.06%
90 day bank bills	0.29%	0.25%	0.08%	0.04%
FRA 90d in 3mths	0.19%	0.12%	0.05%	0.00%
FRA 180d in 6mths	-0.08%	-0.11%	0.05%	0.01%
1 year swap*	0.08%	0.05%	0.04%	0.03%
2 year swap*	0.01%	-0.01%	0.06%	0.05%
3 year swap*	0.02%	-0.01%	0.09%	0.08%
5 year swap*	0.11%	0.09%	0.24%	0.24%
10 year swap*	0.51%	0.49%	0.74%	0.73%
10 year Govt bond		0.53%		0.80%

EQUITIES		Index
NZX50		12,252
ASX200		6,051
Dow Jones		27,507
S&P 500		3,397
FTSE100		5,729
DAX 30		12,064
Nikkei		23,486

COMMODITIES		USD
Dubai Light		39.19
Brent Crude		41.20
Gold		1,908.52
Silver		24.42
CRB Index		160.11

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

SOURCE: Bloomberg

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