



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Wednesday 28 October 2020 | [www.bancorp.co.nz](http://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 headlines

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.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# DAILY RATES

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

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.19					CAD	0.8839	0.9392
NZD/USD	0.6713	0.0000	0.0000	0.0001	0.0011	CHF	0.6092	0.6473
NZD/AUD	0.9411	-0.0002	-0.0005	-0.0007	0.0001	CNY	4.5012	4.7829
NZD/JPY	70.13	-0.03	-0.10	-0.18	-0.27	DKK	4.2280	4.4926
NZD/EUR	0.5683	-0.0004	-0.0013	-0.0023	-0.0039	FJD	1.4246	1.5137
NZD/GBP	0.5142	-0.0001	-0.0004	-0.0005	-0.0003	HKD	5.2023	5.5279
						KRW	757.71	805.13
AU TWI	60.20					MYR	2.7856	2.9599
AUD/USD	0.7133	0.0001	0.0003	0.0006	0.0011	NOK	6.1487	6.5335
AUD/NZD	1.0626	0.0002	0.0005	0.0008	-0.0001	SEK	5.8502	6.2163
AUD/JPY	74.52	-0.02	-0.07	-0.14	-0.29	SGD	0.9128	0.9699
AUD/EUR	0.6038	-0.0003	-0.0011	-0.0020	-0.0042	TWD	19.18	20.38
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	<b>EQUITIES</b>		
USD/JPY	104.48	-0.04	-0.14	-0.28	-0.56		<b>Index</b>	
GBP/USD	1.3055	0.0002	0.0009	0.0015	0.0028	NZX50	12,252	
EUR/GBP	0.9049	0.0005	0.0014	0.0028	0.0057	ASX200	6,051	
						Dow Jones	27,507	
						S&P 500	3,397	
						FTSE100	5,729	
						DAX 30	12,064	
						Nikkei	23,486	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	39.19	
						Brent Crude	41.20	
						Gold	1,908.52	
						Silver	24.42	
						CRB Index	160.11	

  

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%

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

SOURCE: Bloomberg

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.