



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Thursday 29 October 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6659	0.0001
NZD/AUD	0.9429	-0.0006
NZD/JPY	69.46	-0.17
NZD/EUR	0.5665	-0.0023
NZD/GBP	0.5123	-0.0005
NZD/CNH	4.4775	0.0590
AUD/USD	0.7061	0.0006
AUD/EUR	0.6008	-0.0020
EUR/USD	1.1753	0.0049
USD/CNH	7.1227	0.0874
GBP/USD	1.2997	0.0014
EUR/GBP	0.9043	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	0.50%	0.78%

## What ... COVID is a risk?

Who would have thought ... COVID is a risk for markets!

While the second wave story has been gaining pace across Europe and the US for the last 4 weeks or so, it is only this week that financial markets have decided to view these surges as a negative. This saw US and European stocks get hammered as concerns grew over the exponential increases in COVID infections and its potential impact on the global economy.

Breaking it down individually, the FTSE, DAX and the CAC closed, down 4.4%,

4.4% and 3.7% respectively, to hit 5 month lows, while currently the Dow, S&P and NASDAQ are hitting 4 week lows, to be down 3.0%, 2.9% and 3.2% respectively. The VIX index, which also goes by the name of the “fear gauge,” jumped above 38 to hit its highest level since June.

In amongst the chaos that is equity markets, the ‘risk’ currencies fell as investors sought safety in the US dollar and treasuries. This has seen the NZD and AUD give up yesterday’s gains but, to be fair, the sell-off has not been particularly savage with both currencies trading at 0.6655 and 0.7060 against the USD. The US 10 year Treasury is steady at 0.78% although the German bund has fallen further to yield -63%. While this is not good, it is better than the reaction of oil with Crude currently down 5.2% while Brent is performing slightly better, down a mere 4.8%.

So, time for some new lockdowns! German chancellor, Angela Merkel, was first up, announcing a new round of partial lockdowns from 2 November, while rumours continue to circulate that France will lay out new measures after French President Macron announced that “all regions are now in high alert regarding COVID.”

## Bringing out the big guns

Monetary policy board member, Ian Harper, announced that “the RBA does

not lack firepower and the Bank can ramp up bond purchases indefinitely.”

Australian Q3 CPI headline is at +1.6% on the quarter and +0.7% on the year, against an expected +1.5% and +0.6%. Better than expected and definitely better than the previous -1.9% and -0.3%.

The BoC left its benchmark interest rate unchanged at the effective lower bound of 0.25%, as was widely expected. The Committee will maintain its forward guidance although it is recalibrating its QE program to shift purchases towards longer-term bonds and that total purchases will be gradually reduced to CAD4 billion a week.

Former NY Fed president and Goldman partner, Bill Dudley, announced that while no “central bank wants to admit that it’s out of firepower ... unfortunately, the US Federal Reserve is very near that point. This means America’s future prosperity depends more than ever on the government’s spending plans.”

The US Justice department, possibly an oxymoron there, have charged 8 individuals as Chinese agents, accusing them of targeting US dissidents.

Brexit talks, those discussions that just won’t go away, are now at their ‘most difficult point’ according to EU Council President, Charles Michel.

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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	71.89					CAD	0.8853	0.9389
NZD/USD	0.6659	0.0000	0.0000	0.0001	0.0011	CHF	0.6058	0.6424
NZD/AUD	0.9429	-0.0001	-0.0004	-0.0006	0.0001	CNY	4.4806	4.7519
NZD/JPY	69.46	-0.02	-0.09	-0.17	-0.25	DKK	4.2179	4.4733
NZD/EUR	0.5665	-0.0004	-0.0012	-0.0023	-0.0038	FJD	1.4154	1.5011
NZD/GBP	0.5123	-0.0001	-0.0003	-0.0005	-0.0002	HKD	5.1604	5.4728
						KRW	754.30	799.98
AU TWI	60.30					MYR	2.7785	2.9468
AUD/USD	0.7061	0.0001	0.0003	0.0006	0.0011	NOK	6.2225	6.5993
AUD/NZD	1.0606	0.0002	0.0005	0.0007	-0.0001	SEK	5.8886	6.2451
AUD/JPY	73.66	-0.01	-0.06	-0.12	-0.27	SGD	0.9081	0.9630
AUD/EUR	0.6008	-0.0003	-0.0010	-0.0020	-0.0041	TWD	19.03	20.18
AUD/GBP	0.5433	0.0000	-0.0001	-0.0001	-0.0003	ZAR	10.8908	11.5503
USD Index	93.38							
EUR/USD	1.1753	0.0008	0.0026	0.0049	0.0098	<b>EQUITIES</b>		
USD/JPY	104.33	-0.03	-0.13	-0.27	-0.54		<b>Index</b>	
GBP/USD	1.2997	0.0002	0.0008	0.0015	0.0027	NZX50	12,265	
EUR/GBP	0.9043	0.0005	0.0014	0.0028	0.0057	ASX200	6,058	
						Dow Jones	26,708	
						S&P 500	3,292	
						FTSE100	5,583	
						DAX 30	11,561	
						Nikkei	23,419	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	38.58	
						Brent Crude	39.25	
						Gold	1,877.46	
						Silver	23.39	
						CRB Index	155.81	

  

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	0.14%	0.12%	0.05%	0.00%
FRA 180d in 6mths	-0.09%	-0.11%	0.06%	0.02%
1 year swap*	0.06%	0.04%	0.05%	0.02%
2 year swap*	0.01%	-0.01%	0.06%	0.05%
3 year swap*	0.02%	0.00%	0.10%	0.09%
5 year swap*	0.11%	0.09%	0.25%	0.24%
10 year swap*	0.50%	0.47%	0.74%	0.72%
10 year Govt bond		0.49%		0.78%

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

SOURCE: Bloomberg

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