



MARKET ALERT

Friday 30 October 2020 | www.bancorp.co.nz

CURRENCIES	Spot	6mths
NZD/USD	0.6625	0.0001
NZD/AUD	0.9426	-0.0006
NZD/JPY	69.34	-0.17
NZD/EUR	0.5675	-0.0023
NZD/GBP	0.5124	-0.0005
NZD/CNH	4.4451	0.0587
AUD/USD	0.7029	0.0006
AUD/EUR	0.6021	-0.0020
EUR/USD	1.1673	0.0050
USD/CNH	7.1227	0.0872
GBP/USD	1.2928	0.0015
EUR/GBP	0.9029	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.28%	0.06%
2 year swap	0.01%	0.06%
10 year Govt	0.51%	0.82%

Releases from the big three

US economic activity rebounded at a record pace in Q3, jumping 7.4% to offset a good portion of Q2's record drop. While you may think this is a 'V' shaped recovery, GDP is still 3.5% below its pre-pandemic levels, and to some extent, this positive bounce masks concerns that the existing recovery is slowing again due to the COVID resurgence and as the effects of past stimulus start to fade.

US jobless claims printed at 751k for the week following on from last weeks revised 791k. Continuing claims were at 7,756k.

The ECB left monetary policy unchanged during its October meeting, as policymakers took a wait-and-see approach following the French and German lockdowns. Although, there were suggestions that policymakers will adjust their monetary policy settings at their next meeting following the ECB's December economic update. The likelihood is the ECB will act in December, with the market pricing in a 10 bps rate cut.

The BoJ left its interest rates and policy settings unchanged, although it downgraded its 2020 fiscal year economic outlook. The BoJ maintained their short-term interest rate target at -0.1%, and they also left their 10 year JGB yield target around 0% after the vote on yield curve control was passed 8-1. The BoJ now expects 2020/21 GDP at -5.5%, verse -4.7% in July, with CPI at +0.4% against the previous +0.3%.

Stocks edged higher overnight as they partially recovered from yesterday's selloff on the positive data releases. This saw Europe bourses up 0.0%-1.0%, while US indexes are up 1.0%-2.0%, with the NASDAQ up 2.5%.

In amongst this positivity, the NZD/USD and AUD/USD eased slightly to 0.6625 and 0.7030, while bond yields rallied as the 10 year treasury hit 0.83%. Meanwhile, Crude and Brent tumbled another 2.9% and 3.5% in a clear sign of weakening demand that will dampen global inflation expectations.

Coming out swinging

This is an amazing rant ...

UK Trade Minister, Liz Truss, says 'pernicious' US and EU trade policies have a corrosive impact! In a direct reference to Trump's 'America First' policy, Truss said *"we will not be pulling up the drawbridge in an autarkic Britain First approach."* She the added the EU is an *"innovation-phobic"* protectionist institution that has held Britain back, and, without explicitly naming China, she criticised those who use state owned enterprises to sell goods around the world as *"mercenaries of global trade."*

The FBI and two federal agencies warned that they have *"credible information of an increased and imminent cybercrime threat to US hospitals and healthcare providers."*

China unveiled the first look at it's updated 5 year economic plan, promising to build the nation into a technological powerhouse as it emphasized quality growth over speed to market.

Australian Q3 CPI jumped 1.6% with annual inflation at 0.7%.

Mr Trump's big package

President Donald Trump said he plans *"a very big package"* of stimulus after the election.

With the US jobs data, BoJ, and ECB meeting's safely behind us, focus now turns to the RBA and US election next Tuesday and Wednesday.

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DAILY RATES

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FX	Spot Mid	FECs (mid)				Spot Mid		
		1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.64					CAD	0.8825	0.9363
NZD/USD	0.6625	0.0000	0.0000	0.0001	0.0011	CHF	0.6067	0.6437
NZD/AUD	0.9426	-0.0001	-0.0004	-0.0006	0.0002	CNY	4.4482	4.7193
NZD/JPY	69.34	-0.02	-0.09	-0.17	-0.25	DKK	4.2257	4.4833
NZD/EUR	0.5675	-0.0004	-0.0013	-0.0023	-0.0038	FJD	1.4135	1.4997
NZD/GBP	0.5124	-0.0001	-0.0003	-0.0005	-0.0003	HKD	5.1362	5.4492
						KRW	749.89	795.60
AU TWI	59.70					MYR	2.7622	2.9305
AUD/USD	0.7029	0.0001	0.0003	0.0006	0.0010	NOK	6.3055	6.6898
AUD/NZD	1.0610	0.0001	0.0005	0.0007	-0.0002	SEK	5.9177	6.2784
AUD/JPY	73.57	-0.01	-0.07	-0.13	-0.28	SGD	0.9054	0.9606
AUD/EUR	0.6021	-0.0003	-0.0011	-0.0020	-0.0042	TWD	18.94	20.09
AUD/GBP	0.5437	0.0000	-0.0001	-0.0002	-0.0004	ZAR	10.8493	11.5105
USD Index	93.95							
EUR/USD	1.1673	0.0008	0.0026	0.0050	0.0099	EQUITIES		
USD/JPY	104.68	-0.03	-0.14	-0.28	-0.55		Index	
GBP/USD	1.2928	0.0002	0.0009	0.0015	0.0028	NZX50		12,202
EUR/GBP	0.9029	0.0004	0.0014	0.0028	0.0057	ASX200		5,960
						Dow Jones		26,801
						S&P 500		3,334
						FTSE100		5,582
						DAX 30		11,598
						Nikkei		23,332
						COMMODITIES		
							USD	
						Dubai Light		36.90
						Brent Crude		37.69
						Gold		1,869.29
						Silver		23.35
						CRB Index		153.84

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	0.30%	0.26%	0.08%	0.04%
FRA 90d in 3mths	0.14%	0.11%	0.05%	0.00%
FRA 180d in 6mths	-0.09%	-0.11%	0.05%	0.01%
1 year swap*	0.06%	0.03%	0.04%	0.03%
2 year swap*	0.02%	-0.01%	0.07%	0.05%
3 year swap*	0.03%	-0.01%	0.09%	0.08%
5 year swap*	0.12%	0.09%	0.26%	0.25%
10 year swap*	0.52%	0.49%	0.77%	0.76%
10 year Govt bond		0.50%		0.82%

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

SOURCE: Bloomberg

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