



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Thursday 21 May 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6145	-0.0007
NZD/AUD	0.9317	-0.0011
NZD/JPY	66.09	-0.27
NZD/EUR	0.5598	-0.0028
NZD/GBP	0.5025	-0.0009
NZD/CNH	4.3666	0.0255
AUD/USD	0.6596	0.0000
AUD/EUR	0.6008	-0.0023
EUR/USD	1.0978	0.0043
USD/CNH	7.1227	0.0498
GBP/USD	1.2229	0.0009
EUR/GBP	0.8977	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.25%	0.09%
2 year swap	0.13%	0.18%
10 year Govt	0.68%	0.95%

Fed minutes tick by

Overnight we had the Fed minutes from the 28-29 April meeting. The minutes highlighted what the individual members have been verbalising since the meeting, that they will keep interest rates near zero until they are confident the US economy is on track to recovery. The minutes highlighted, once again, that the Fed is prepared to “use the Committee’s tools and act as appropriate to support the economy.” A few participants also noted that there is “a substantial likelihood of additional waves of outbreak in the near or medium term,” implying that the central bank may need to support the economy for some time to come. At the meeting, the Fed

left rates at zero with the post-meeting statement noting the “considerable risks to the economic outlook over the medium term,” suggesting the US should not expect a rapid recovery.

Markets seemed to be long everything last night due to parts of the world reopening. US equities rallied 1-2%, the 10- year treasury bond traded flat and gold continued its rally toward USD1,750 an ounce. Oil continued its winning streak and the days of the negative contracts seem long ago as it trades above USD30 a barrel. The USD continues its four day losing streak which props the NZD/USD to the top of its trading range at 0.6150. The AUD/USD also benefited as it breaks above 0.6600.

According to the Bank of Canada’s Deputy Governor, the BoC is in no rush to raise interest rates, believing there will be downward pressure on inflation once COVID-19 related shutdowns are lifted. This point was highlighted as Canadian consumer prices fell 0.2% year-on-year in April, after rising 0.9% in March. The BoC is expecting second quarter growth to plummet between 15 and 30 percent from its level in late 2019.

UK goes negative

Data-wise, Euro-zone consumer confidence rose by 3.2 points to -18.8 in May 2020, beating market expectations of a -24.0 print, while the UK’s consumer price inflation slowed to 0.8% year-on-year in April, down from the 1.5% print

in March. And speaking of the UK, it just issued its first ever negative-yielding government bond raising GBP3.8 billion of 3-year gilts at a yield of minus 0.003%. This negative-yielding bond means the UK government is effectively being paid to borrow as investors will get back slightly less than they initially paid if they hold the bond until maturity.

The US Senate has approved legislation on Wednesday that could lead to Chinese companies being barred from listing on US share markets. The bill would require companies to certify that they are not under control of a foreign government and was passed amid growing tensions between the two superpowers ... this is clearly adding to them.

Finally, RBNZ Governor, Adrian Orr, was on the news wires yesterday reiterating his point that the local banks need to be ‘courageous’ with their lending during the COVID-19 crisis, especially in regard to mortgage holders. When asked how concerned he was about what would happen after the six-month repayment deferrals expired, Mr Orr stated “it is a concern.”

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

Thursday 21 May 2020 | www.bancorptreasury.com

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	69.40					CAD	0.8542 0.9168
NZD/USD	0.6145	-0.0001	-0.0004	-0.0007	-0.0012	CHF	0.5930 0.6365
NZD/AUD	0.9317	-0.0002	-0.0007	-0.0011	-0.0016	CNY	4.3590 4.6785
NZD/JPY	66.09	-0.03	-0.13	-0.27	-0.59	DKK	4.1729 4.4787
NZD/EUR	0.5598	-0.0004	-0.0014	-0.0028	-0.0057	FJD	1.3766 1.4775
NZD/GBP	0.5025	-0.0001	-0.0005	-0.0009	-0.0018	HKD	4.7625 5.1116
						KRW	754.18 809.47
AU TWI	57.90					MYR	2.6573 2.8521
AUD/USD	0.6596	0.0000	0.0001	0.0000	-0.0002	NOK	6.0918 6.5383
AUD/NZD	1.0733	0.0003	0.0008	0.0013	0.0018	SEK	5.8908 6.3226
AUD/JPY	70.94	-0.02	-0.08	-0.21	-0.51	SGD	0.8684 0.9320
AUD/EUR	0.6008	-0.0003	-0.0010	-0.0023	-0.0051	TWD	18.42 19.77
AUD/GBP	0.5394	0.0000	-0.0001	-0.0004	-0.0010	ZAR	11.0114 11.8186
USD Index	99.16						
EUR/USD	1.0978	0.0006	0.0021	0.0043	0.0092	EQUITIES	
USD/JPY	107.56	-0.04	-0.14	-0.32	-0.75		Index
GBP/USD	1.2229	0.0001	0.0004	0.0009	0.0020	NZX50	10,788
EUR/GBP	0.8977	0.0004	0.0014	0.0029	0.0060	ASX200	5,573
						Dow Jones	24,576
						S&P 500	2,969
						FTSE100	6,067
						DAX 30	11,224
						Nikkei	20,595
						COMMODITIES	
							USD
						Dubai Light	34.49
						Brent Crude	35.86
						Gold	1,749.02
						Silver	17.53
						CRB Index	139.00

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.28%	0.24%	0.09%	0.09%
90 day bank bills	0.27%	0.23%	0.11%	0.07%
FRA 90d in 3mths	0.27%	0.24%	0.17%	0.12%
FRA 180d in 6mths	0.20%	0.17%	0.22%	0.18%
1 year swap*	0.23%	0.20%	0.14%	0.13%
2 year swap*	0.15%	0.12%	0.18%	0.17%
3 year swap*	0.15%	0.12%	0.24%	0.23%
5 year swap*	0.24%	0.21%	0.44%	0.43%
10 year swap*	0.62%	0.59%	0.91%	0.90%
10 year Govt bond		0.66%		0.95%

* 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.