



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 22 May 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6123	-0.0007
NZD/AUD	0.9319	-0.0011
NZD/JPY	65.86	-0.27
NZD/EUR	0.5592	-0.0028
NZD/GBP	0.5009	-0.0010
NZD/CNH	4.3685	0.0199
AUD/USD	0.6571	0.0000
AUD/EUR	0.6001	-0.0023
EUR/USD	1.0950	0.0043
USD/CNH	7.1227	0.0409
GBP/USD	1.2225	0.0009
EUR/GBP	0.8957	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.25%	0.09%
2 year swap	0.15%	0.18%
10 year Govt	0.62%	0.91%

Where's my cheque?

Finally, an 'encouraging' sign in the US with initial claims 'easing' to 2.4 million, the lowest level since the COVID-19 crisis began. Still, claims came in slightly above market expectations of 2.4 million and lifted the 9 week total to 38.6 million.

Continuing claims, a measure of ongoing unemployment, rose to 25.073 million, up from the previous 22.833 million. The expectation was for 24.25 million. When forecasting job losses for May, the pool of continuing claims will be adjusted against those claiming benefits under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, separately

funded income support programmes. Taken together, these numbers will provide a more accurate measurement of the dislocation within the US labour market.

A relatively calm night in markets; however growing tensions between the US and China caused a sell-off in risk assets as US equities edged lower and the USD strengthened. Oil continued its climb while gold slipped, and Treasury's were flat. The NZD/USD bounced off 0.6150 overnight after the slight risk off tone and sits above 0.6120 at the time of writing. The AUD/USD slipped yesterday as China stated they might impose tariffs on iron ore and is hovering around 0.6560.

Counting down

The ticking time bomb that is the US-China relationship continues to count down. Following China's threat to place US tech companies on its 'unreliable entity list,' it was Trump's turn tweeting that, "China is on a massive disinformation campaign because they are desperate to have 'sleepy Joe' in power." White House economic advisor, Larry Kudlow, then added the US-China trade deal is intact, and there won't be a renegotiation.

While the financial markets continue to show complacency around the rising risks of US-China and Australia-China tensions, one should expect this rhetoric to increase as we count down towards the US election in November.

China, for their part, escalated tensions by announcing dramatic measures to curb Hong Kong's 'independence.' Chinese lawmakers are preparing to pass measures that would curb dissent, secession, sedition, foreign interference and terrorism within the former British colony.

On the data front, we had NZ credit card spending for April fall 41.3% from March's spend, Japanese PMI's for May showed manufacturing at 38.4 (prior 41.9) and services flatlining at 25.3 (prior 21.5), Japanese trade also got smacked with exports to the US down 37.8% to show a deficit of JPY930.4 billion against an expectation of JPY503.1 billion, and, Australian PMI's were just as bad with manufacturing at 42.8 (prior 44.1), and services at 25.5 (prior 19.5).

RBA Governor, Philip Lowe, continued to talk up the Australian financial system stating it, "is resilient and is well placed to deal with COVID-19, (the) capital and liquidity buffers that exist are available to be drawn upon if required to support the economy." He also had a shot at the banks adding it is, "important that lenders continue to support the flow of credit to the economy (while) we remain prepared to scale up bond purchases again if necessary." He then added that, "without a COVID-19 medical breakthrough the economic recovery will be slow."

One of the local banks has amended their negative OCR call, pushing it out from November to April 2021 in line with the RBNZ's language.

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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	69.30					CAD	0.8537 0.9160
NZD/USD	0.6123	-0.0001	-0.0003	-0.0007	-0.0013	CHF	0.5943 0.6377
NZD/AUD	0.9319	-0.0002	-0.0006	-0.0011	-0.0016	CNY	4.3567 4.6751
NZD/JPY	65.86	-0.04	-0.13	-0.27	-0.60	DKK	4.1702 4.4749
NZD/EUR	0.5592	-0.0004	-0.0014	-0.0028	-0.0058	FJD	1.3645 1.4642
NZD/GBP	0.5009	-0.0001	-0.0005	-0.0010	-0.0019	HKD	4.7482 5.0951
						KRW	754.71 809.86
AU TWI	57.90					MYR	2.6619 2.8564
AUD/USD	0.6571	0.0000	0.0001	0.0000	-0.0002	NOK	6.0882 6.5331
AUD/NZD	1.0731	0.0003	0.0007	0.0013	0.0019	SEK	5.8886 6.3189
AUD/JPY	70.67	-0.02	-0.09	-0.21	-0.52	SGD	0.8681 0.9315
AUD/EUR	0.6001	-0.0003	-0.0011	-0.0023	-0.0052	TWD	18.33 19.67
AUD/GBP	0.5375	0.0000	-0.0001	-0.0004	-0.0011	ZAR	10.7797 11.5674
USD Index	99.41						
EUR/USD	1.0950	0.0006	0.0021	0.0043	0.0092	EQUITIES	
USD/JPY	107.56	-0.04	-0.15	-0.32	-0.76		Index
GBP/USD	1.2225	0.0001	0.0004	0.0009	0.0021	NZX50	10,732
EUR/GBP	0.8957	0.0004	0.0014	0.0029	0.0060	ASX200	5,550
						Dow Jones	24,491
						S&P 500	2,950
						FTSE100	6,015
						DAX 30	11,066
						Nikkei	20,552
						COMMODITIES	
							USD
						Dubai Light	36.14
						Brent Crude	36.18
						Gold	1,726.38
						Silver	17.08
						CRB Index	138.58

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	0.28%	0.25%	0.17%	0.12%
FRA 180d in 6mths	0.22%	0.19%	0.22%	0.18%
1 year swap*	0.23%	0.21%	0.15%	0.13%
2 year swap*	0.16%	0.13%	0.19%	0.17%
3 year swap*	0.15%	0.12%	0.24%	0.23%
5 year swap*	0.23%	0.21%	0.43%	0.41%
10 year swap*	0.61%	0.59%	0.87%	0.86%
10 year Govt bond		0.61%		0.91%

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

SOURCE: Bloomberg

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