



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 25 May 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6092	-0.0007
NZD/AUD	0.9329	-0.0010
NZD/JPY	65.56	-0.27
NZD/EUR	0.5590	-0.0028
NZD/GBP	0.5000	-0.0009
NZD/CNH	4.3599	0.0286
AUD/USD	0.6531	0.0000
AUD/EUR	0.5994	-0.0024
EUR/USD	1.0897	0.0043
USD/CNH	7.1227	0.0550
GBP/USD	1.2183	0.0009
EUR/GBP	0.8944	0.0028
INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.25%	0.10%
2 year swap	0.16%	0.21%
10 year Govt	0.61%	0.87%

Quiet ahead of US bank holiday

With the US entering the Memorial Day holiday weekend, stocks closed flat on Friday, but positive for the week on hopes of a vaccine and the reopening of the US economy. This positivity saw the US index firm 0.4% of Friday, which saw the NZD/USD and AUD/USD ease from their recent highs to be trading at 0.6100 and 0.6530 respectively. Looking ahead though, growing trade tensions between the US and China could see further US dollar strength.

You may remember prior to COVID-19 there were protests in Hong Kong

over its sovereignty, and it looks like this issue could be re-ignited after China announced it would impose a new security law on Hong Kong that could see mainland intelligence agencies set up bases in the former British colony. President Trump stated that if this happened, he would react *“very strongly”* and would likely impose sanctions on China. Against this, Chinese Foreign Minister, Wang Yi, warned the US should stop its *“wishful thinking”* and that the US was pushing their relationship towards a *“new Cold War.”* Allegedly, the top Google search in Hong Kong over the weekend was, ‘immigration options.’

The OECD has warned the world’s richest nations that they face a USD17 trillion government debt burden from COVID-19 with falls in tax revenues set to push average debt-to-GDP ratios to 137%. New Zealand’s ratio is expected to climb to 53.6% in 2023.

Over the weekend, China opened their National People’s Congress and immediately announced they will not issue a 2020 GDP target, citing the virus impact and global uncertainties. Instead they will target the creation of 9 million urban jobs, aim to stimulate inflation to 3.5%, increase their budget deficit to 3.6% of GDP, target a jobless rate of 6%, and they will issue CNY1 trillion of anti-virus bonds this year. The Chinese parliament also pledged to implement phase 1 of the US trade deal.

The Eurozone’s divisions were laid open after the ‘frugal four,’ Austria, Denmark, the Netherlands and Sweden, opposed the COVID-19 EUR500 billion debt issuance programme.

On Friday, the BoJ held an emergency meeting where they maintained their short and long-term interest rate targets, with the short-term rate at -0.1% and the 10-year JGB yield target at 0%. They also established a new JPY75 trillion loan programme aimed at boosting lending to small, mid-sized firms hit by coronavirus pandemic. Japan’s inflation is well below the BoJ’s 2% target as April’s headline CPI print was a very modest 0.1% y/y.

New Zealand’s Finance Minister, Grant Robertson, also stated on Friday that New Zealand is considering distributing free cash directly to individuals to help boost the economy. Robertson mentioned the concept was being discussed, but *“it’s not something that has got to that level of discussion at all”* before adding, *“I am pretty keen on making sure that fiscal policy remains the role of the government.”*

New Zealand Q1 retail sales data fell 0.7% quarter-on-quarter, against a forecast 1.5% fall. On an annualised basis the headline number was up 2.3%. This was a better than expected result, although it should be remembered that this data only captured a portion of the lockdown.

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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	69.15					CAD	0.8534	0.9148
NZD/USD	0.6092	-0.0001	-0.0004	-0.0007	-0.0012	CHF	0.5922	0.6348
NZD/AUD	0.9329	-0.0002	-0.0006	-0.0010	-0.0013	CNY	4.3485	4.6615
NZD/JPY	65.56	-0.04	-0.13	-0.27	-0.60	DKK	4.1685	4.4686
NZD/EUR	0.5590	-0.0004	-0.0014	-0.0028	-0.0058	FJD	1.3606	1.4585
NZD/GBP	0.5000	-0.0001	-0.0005	-0.0009	-0.0019	HKD	4.7250	5.0651
						KRW	756.68	811.14
AU TWI	57.90					MYR	2.6628	2.8545
AUD/USD	0.6531	0.0000	0.0001	0.0000	-0.0004	NOK	6.1013	6.5405
AUD/NZD	1.0720	0.0002	0.0007	0.0012	0.0015	SEK	5.8978	6.3223
AUD/JPY	70.28	-0.02	-0.09	-0.22	-0.54	SGD	0.8684	0.9309
AUD/EUR	0.5994	-0.0003	-0.0011	-0.0024	-0.0054	TWD	18.29	19.61
AUD/GBP	0.5361	0.0000	-0.0001	-0.0004	-0.0012	ZAR	10.7375	11.5104
USD Index	99.86							
EUR/USD	1.0897	0.0006	0.0020	0.0043	0.0092	EQUITIES		
USD/JPY	107.61	-0.04	-0.15	-0.33	-0.76			Index
GBP/USD	1.2183	0.0001	0.0004	0.0009	0.0021	NZX50		10,663
EUR/GBP	0.8944	0.0004	0.0014	0.0028	0.0060	ASX200		5,497
						Dow Jones		24,465
						S&P 500		2,955
						FTSE100		5,993
						DAX 30		11,074
						Nikkei		20,388
						COMMODITIES		
								USD
						Dubai Light		34.17
						Brent Crude		35.13
						Gold		1,733.06
						Silver		17.17
						CRB Index		137.54

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%	0.12%	0.08%
FRA 90d in 3mths	0.28%	0.25%	0.20%	0.15%
FRA 180d in 6mths	0.23%	0.20%	0.26%	0.22%
1 year swap*	0.25%	0.22%	0.18%	0.17%
2 year swap*	0.17%	0.15%	0.22%	0.20%
3 year swap*	0.16%	0.14%	0.27%	0.26%
5 year swap*	0.24%	0.22%	0.45%	0.43%
10 year swap*	0.61%	0.59%	0.86%	0.85%
10 year Govt bond		0.60%		0.87%

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

SOURCE: Bloomberg

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