



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 26 May 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6101	-0.0007
NZD/AUD	0.9322	-0.0010
NZD/JPY	65.72	-0.27
NZD/EUR	0.5600	-0.0028
NZD/GBP	0.5004	-0.0010
NZD/CNH	4.3613	0.0282
AUD/USD	0.6545	0.0000
AUD/EUR	0.6007	-0.0024
EUR/USD	1.0897	0.0043
USD/CNH	7.1227	0.0545
GBP/USD	1.2194	0.0009
EUR/GBP	0.8936	0.0028
INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.27%	0.10%
2 year swap	0.18%	0.22%
10 year Govt	0.64%	0.86%

An AUD60 billion rounding error?

After re-jigging the numbers, it would appear Australia's JobKeeper program will now 'only' cost AUD70 billion, instead of the estimated AUD130 billion. What's an AUD60 billion rounding error amongst friends? The government have said the reduction in cost is due to the economy "not being as weak as expected" due to the shutdown restrictions ... you mean, they were expecting it to be even worse?

While the Eurozone is struggling to pass their EUR500 billion fiscal package, the ECB's Villeroy was on the news wires stating they will probably provide further monetary stimulus. He then added, "we won't let adverse market dynamics lead

to unwarranted hikes in borrowing costs in some countries."

Germany IFO business climate index, a leading economic indicator, suggests a small turnaround in business sentiment in May. The index rose to 79.5 from 74.2 — finally — something positive to come out of Europe!

Following the BoJ's emergency meeting on Friday, the Japanese Government has begun finalising its JPY100 trillion COVID-19 relief package. This would be the second supplementary budget for 2020 and follow's last month's JPY117 trillion stimulus. More than JPY60 trillion will be used as unsecured financing for businesses.

The *Financial Times* has reported that the UK Treasury is drawing up plans to bail out "strategically important UK businesses" heavily laden with debt. 'Project Birch' will allow for the central government to acquire stakes in important businesses facing acute financial difficulties. Treasury has revealed it would act to save companies, those whose failure would "disproportionately harm the economy." Aviation, aerospace and steel firms are among those facing acute problems, while carmaker Jaguar Land Rover is also talking to the government.

The Bank of Canada's Governor, Stephen Poloz, was singing from the central bank rule book stating, "our policy framework gives us flexibility in the time it takes to get inflation back on target," before adding, "choosing a policy course can entail a degree of flexibility, allowing inflation to return to target more slowly or quickly than on average."

With US markets closed for the Memorial holiday, markets were extremely quiet.

Let the protests begin

Hong Kong police fired tear gas and water cannons as thousands of Hong Kong nationals protested on Sunday against China's plan to impose national security laws on the city.

In 'support' of Hong Kong's independence, the US have imposed a 'trade blacklist' against 33 Chinese companies and universities restricting their access to American technology and other items. China's foreign ministry expressed "strong dissatisfaction" and "firm opposition" against the move.

China's economy, under pressure from COVID-19 as well as an escalating trade war and technology tensions with the US, has seen Chinese president Xi amend his strategy to pursue domestic growth rather than an export-led growth model.

While the value of exports and imports decreased in April, Australian exports remain strong due largely to ongoing demand for Australian resource commodities, in particular iron ore from major trading partners across Asia.

Recovering air travel, hotel bookings and mortgage applications are among the early signs the US economy is slowly recovering as the worst of the pandemic shutdowns may be over.

While in Germany the government has agreed upon an EUR9 billion rescue package for Lufthansa airlines.

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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	69.26					CAD	0.8534	0.9154
NZD/USD	0.6101	-0.0001	-0.0003	-0.0007	-0.0013	CHF	0.5927	0.6358
NZD/AUD	0.9322	-0.0002	-0.0006	-0.0010	-0.0014	CNY	4.3545	4.6712
NZD/JPY	65.72	-0.04	-0.12	-0.27	-0.60	DKK	4.1747	4.4783
NZD/EUR	0.5600	-0.0004	-0.0013	-0.0028	-0.0058	FJD	1.3626	1.4617
NZD/GBP	0.5004	-0.0001	-0.0004	-0.0010	-0.0019	HKD	4.7316	5.0757
						KRW	757.36	812.45
AU TWI	57.90					MYR	2.6600	2.8535
AUD/USD	0.6545	0.0000	0.0000	0.0000	-0.0004	NOK	6.1377	6.5840
AUD/NZD	1.0727	0.0002	0.0006	0.0012	0.0016	SEK	5.9035	6.3328
AUD/JPY	70.50	-0.02	-0.09	-0.22	-0.54	SGD	0.8690	0.9321
AUD/EUR	0.6007	-0.0003	-0.0011	-0.0024	-0.0054	TWD	18.34	19.67
AUD/GBP	0.5367	0.0000	-0.0001	-0.0004	-0.0013	ZAR	10.7644	11.5473
USD Index	99.78							
EUR/USD	1.0897	0.0007	0.0020	0.0043	0.0092	EQUITIES		
USD/JPY	107.72	-0.04	-0.15	-0.32	-0.76			Index
GBP/USD	1.2194	0.0001	0.0004	0.0009	0.0022	NZX50		10,776
EUR/GBP	0.8936	0.0005	0.0014	0.0028	0.0059	ASX200		5,616
						Dow Jones		24,465
						S&P 500		2,955
						FTSE100		5,993
						DAX 30		11,391
						Nikkei		20,742
						COMMODITIES		
								USD
						Dubai Light		34.17
						Brent Crude		35.53
						Gold		1,725.05
						Silver		16.00
						CRB Index		137.54

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.30%	0.27%	0.09%	0.09%
90 day bank bills	0.29%	0.26%	0.12%	0.08%
FRA 90d in 3mths	0.29%	0.26%	0.20%	0.15%
FRA 180d in 6mths	0.25%	0.22%	0.27%	0.23%
1 year swap*	0.25%	0.23%	0.19%	0.16%
2 year swap*	0.20%	0.17%	0.23%	0.21%
3 year swap*	0.19%	0.16%	0.28%	0.26%
5 year swap*	0.27%	0.24%	0.47%	0.43%
10 year swap*	0.63%	0.60%	0.87%	0.84%
10 year Govt bond		0.62%		0.86%

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

SOURCE: Bloomberg

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