



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Thursday 28 May 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6181	-0.0007
NZD/AUD	0.9346	-0.0011
NZD/JPY	66.60	-0.28
NZD/EUR	0.5619	-0.0029
NZD/GBP	0.5043	-0.0009
NZD/CNH	4.4369	0.0309
AUD/USD	0.6614	0.0000
AUD/EUR	0.6013	-0.0024
EUR/USD	1.0999	0.0043
USD/CNH	7.1227	0.0584
GBP/USD	1.2257	0.0008
EUR/GBP	0.8973	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.26%	0.10%
2 year swap	0.21%	0.22%
10 year Govt	0.73%	0.88%

The Beige Book is blue

The Beige book, a report undertaken by the Fed as an assessment on the state of the US economy, merely highlighted what we already knew ... the economy remains weak and in the blues. The headlines highlighted that economic activity and employment declined in all districts, and that the declines were especially severe in the leisure and hospitality sectors.

Reports are emerging that China has expanded the scope of its Hong Kong national security legislation to cover organisations as well as individuals.

The *South China Morning Post* has reported, “mainland lawyers say this change could bring not just individuals, but also organisations under the scope of the law.” In retaliation, the White House is considering suspending Hong Kong’s preferential US tariff rate for exports to the US. While financial markets are taking the US threat to revoke Hong Kong’s special status in its stride, it is inevitable the rhetoric will ratchet up as the US election gathers momentum.

In equity markets, we have seen a reversal of recent price flows with tech being trashed as financials rally. In amongst this, equities continued their climb as the market gets more optimistic about the reopening of the economy and a potential vaccine.

The S&P500 looks likely to close above 3000 and its 200 day moving average — these levels were tested yesterday but retracted going into the close. The NZD/USD slipped from yesterday’s highs of 0.6227 but still holds up above the recent trading ranges at 0.6180. The AUD/USD hovers just above 0.6600.

In a direct attack against the USD as the global reserve currency, the PBoC announced that China is planning to have its own sovereign digital currency ready in time for the 2022 Winter Olympics.

Comments from the Atlanta Fed Chair, Raphael Bostic, announced that, “pandemic relief will need to be lasting and means tested.”

These numbers are getting mind boggling

Bloomberg reports that new Japanese bond issuance within the current fiscal year look to be increased yet again by another JPY55 trillion to JPY60 trillion. This would bring Japan’s total bond issuance for the current fiscal year to roughly JPY200 trillion. This additional funding will be used to support the government’s new stimulus package.

Boeing is preparing to announce significant US job cuts this week after CEO, David Calhoun, warned last month that Boeing would need to cut at least 10%, or 16,000 jobs.

German ECB board member, Isabel Schnabel, when commenting on the German court ruling against the Bundesbank ECB bond-buying programme, stated “we are not adjusting our monetary policy in any way in response to this ruling,” and that the court ruling “does not directly affect us (the ECB).”

Yesterday saw the release of the RBNZ’s *Financial Stability Report*, with the highlights, “the financial system is in a solid position to both weather the significant economic impact,” and “our economic stress test analysis suggest banks can continue to lend and prosper through a broad range of adverse scenarios.”

After the meeting the RBNZ Governor, Adrian Orr, added a few warnings stating that the significant part of the economic challenge is still ahead of us, that he sees more room for banks to increase lending, and, he expects credit demand to rise.

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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	69.97					CAD 0.8504	0.9100
NZD/USD	0.6181	-0.0001	-0.0003	-0.0007	-0.0013	CHF 0.5986	0.6405
NZD/AUD	0.9346	-0.0002	-0.0006	-0.0011	-0.0015	CNY 4.4298	4.7400
NZD/JPY	66.60	-0.03	-0.13	-0.28	-0.61	DKK 4.1904	4.4839
NZD/EUR	0.5619	-0.0004	-0.0014	-0.0029	-0.0058	FJD 1.3708	1.4668
NZD/GBP	0.5043	-0.0001	-0.0004	-0.0009	-0.0018	HKD 4.7931	5.1287
						KRW 765.31	818.90
AU TWI	58.80					MYR 2.7015	2.8906
AUD/USD	0.6614	0.0000	0.0000	0.0000	-0.0003	NOK 6.0933	6.5200
AUD/NZD	1.0700	0.0002	0.0007	0.0012	0.0017	SEK 5.9391	6.3550
AUD/JPY	71.27	-0.02	-0.10	-0.22	-0.54	SGD 0.8777	0.9391
AUD/EUR	0.6013	-0.0003	-0.0011	-0.0024	-0.0053	TWD 18.55	19.85
AUD/GBP	0.5396	0.0000	-0.0001	-0.0004	-0.0011	ZAR 10.7542	11.5074
USD Index	98.98						
EUR/USD	1.0999	0.0007	0.0021	0.0043	0.0092	EQUITIES	
USD/JPY	107.77	-0.04	-0.15	-0.33	-0.77		Index
GBP/USD	1.2257	0.0001	0.0004	0.0008	0.0020	NZX50	11,049
EUR/GBP	0.8973	0.0005	0.0015	0.0029	0.0061	ASX200	5,775
						Dow Jones	25,532
						S&P 500	3,027
						FTSE100	6,144
						DAX 30	11,658
						Nikkei	21,419
						COMMODITIES	
							USD
						Dubai Light	35.75
						Brent Crude	34.86
						Gold	1,713.77
						Silver	17.28
						CRB Index	137.15
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		0.29%	0.25%	0.09%	0.09%		
90 day bank bills		0.28%	0.24%	0.12%	0.08%		
FRA 90d in 3mths		0.31%	0.23%	0.19%	0.14%		
FRA 180d in 6mths		0.25%	0.22%	0.26%	0.22%		
1 year swap*		0.26%	0.22%	0.17%	0.16%		
2 year swap*		0.22%	0.19%	0.22%	0.21%		
3 year swap*		0.24%	0.21%	0.27%	0.26%		
5 year swap*		0.35%	0.32%	0.46%	0.45%		
10 year swap*		0.73%	0.70%	0.88%	0.87%		
10 year Govt bond			0.71%		0.88%		

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

SOURCE: Bloomberg

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