



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Friday 29 May 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6212	-0.0008
NZD/AUD	0.9356	-0.0010
NZD/JPY	66.85	-0.28
NZD/EUR	0.5610	-0.0029
NZD/GBP	0.5044	-0.0010
NZD/CNH	4.4536	0.0307
AUD/USD	0.6640	-0.0001
AUD/EUR	0.5996	-0.0024
EUR/USD	1.1074	0.0044
USD/CNH	7.1227	0.0582
GBP/USD	1.2318	0.0008
EUR/GBP	0.8990	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	0.75%	0.88%

## Worse than expected

The US economy shrank by an annualised 5.0% in the March quarter, slightly worse than the estimated 4.8% contraction. This brings an end to the longest period of expansion in the country's history and is the biggest drop in GDP since Q4 2008. Private inventory investment was revised downwards while personal consumption and business investment shrank less than anticipated.

Against this, the number of Americans filling for unemployment benefits continued its downward trajectory, but, before we start getting too carried away, it was still a horrific number at

2.123 million. While this number is the lowest since the pandemic began more than two months ago, the total number of COVID-19 related initial claims now stands at 40.7 million. The Fed's Robert Kaplan, says the US economy has bottomed, but he expects growth to resume in H2 2020.

US Equity markets started off the session in the green but quickly reversed after comments from Trump around a press conference on China rattled investors. The early risk on move gave the commodity currencies a push up as the NZD/USD hit 0.6229 before retreating to the 0.6200 mark and the AUD/USD reached 0.6667 before falling to 0.6640. Treasury yields increased across the curve, with the 10 year testing the 0.70% mark, while WTI Oil continues its rally and trades at USD34 a barrel.

Some worrying news for democracy activists as China approved the proposal for the Hong Kong security legislation yesterday, a vote of 2,878-1 with six abstentions. Chinese Premier, Li Keqiang, said, shortly after the decision, that the "one country, two systems" policy governing relations with the city would remain in place. This paves the way for the legislation being passed and for anti-secession laws that rights advocates say threaten their freedom.

Against this, the US House of Representatives has enough support to pass legislation to sanction Chinese officials for human rights abuses against Muslim minorities.

Unemployment surged in France by 827k to 4.316 million in April.

It was the biggest increase in registered unemployment, and the highest outright level, since 1996.

## Hooray, we're improving

NZ business confidence improved ... from seriously bad, to simply really bad! May's -41.8 was better than April's -66.6, but with a net 39% of firms expecting their own business activity to weaken, and a net 42% of firms intend to lay off staff, the outlook remains gloomy. Profitability, investment, and employment intentions all rose, but are all still deeply negative.

Stats NZ provided its quarterly update on the NZ labour market. The headlines were that job numbers fell by a record 37,500 in April, the largest outright and percentage fall since the series began in 1999.

The Bank of Korea cut the South Korean base rate 25 bp's to a record low of 0.50% as expected.

Finally, RBA Governor, Philip Lowe, spoke at a Senate Select Committee hearing on COVID-19 and repeated the mantra that, "negative interest rates are extraordinarily unlikely" and that, "negative rates come with a cost to the financial system." He also stated, "going forward, fiscal policy will have to play a greater part than in the past," and that, "rates (are) to stay this low for some years."

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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	70.13					<b>CAD</b>	0.8556	0.9144
NZD/USD	0.6212	-0.0001	-0.0003	-0.0008	-0.0013	<b>CHF</b>	0.5991	0.6403
NZD/AUD	0.9356	-0.0001	-0.0005	-0.0010	-0.0014	<b>CNY</b>	4.4388	4.7443
NZD/JPY	66.85	-0.04	-0.13	-0.28	-0.62	<b>DKK</b>	4.1817	4.4695
NZD/EUR	0.5610	-0.0004	-0.0014	-0.0029	-0.0059	<b>FJD</b>	1.3811	1.4762
NZD/GBP	0.5044	-0.0001	-0.0005	-0.0010	-0.0019	<b>HKD</b>	4.8156	5.1470
						<b>KRW</b>	768.80	821.72
AU TWI	58.60					<b>MYR</b>	2.6915	2.8767
AUD/USD	0.6640	0.0000	0.0000	-0.0001	-0.0005	<b>NOK</b>	6.0762	6.4944
AUD/NZD	1.0688	0.0001	0.0006	0.0011	0.0016	<b>SEK</b>	5.9125	6.3194
AUD/JPY	71.46	-0.03	-0.11	-0.23	-0.56	<b>SGD</b>	0.8806	0.9412
AUD/EUR	0.5996	-0.0004	-0.0012	-0.0024	-0.0054	<b>TWD</b>	18.65	19.94
AUD/GBP	0.5390	-0.0001	-0.0002	-0.0005	-0.0012	<b>ZAR</b>	10.8715	11.6198
USD Index	98.52							
EUR/USD	1.1074	0.0007	0.0021	0.0044	0.0094	<b>EQUITIES</b>		
USD/JPY	107.63	-0.05	-0.15	-0.32	-0.76			<b>Index</b>
GBP/USD	1.2318	0.0001	0.0004	0.0008	0.0020	<b>NZX50</b>		10,857
EUR/GBP	0.8990	0.0004	0.0014	0.0029	0.0061	<b>ASX200</b>		5,851
						<b>Dow Jones</b>		25,401
						<b>S&amp;P 500</b>		3,026
						<b>FTSE100</b>		6,219
						<b>DAX 30</b>		11,781
						<b>Nikkei</b>		21,916
						<b>COMMODITIES</b>		
								<b>USD</b>
						<b>Dubai Light</b>		34.61
						<b>Brent Crude</b>		35.05
						<b>Gold</b>		1,717.82
						<b>Silver</b>		17.31
						<b>CRB Index</b>		137.78

  

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%	0.20%	0.15%
FRA 180d in 6mths	0.26%	0.23%	0.27%	0.23%
1 year swap*	0.26%	0.23%	0.18%	0.17%
2 year swap*	0.23%	0.20%	0.23%	0.21%
3 year swap*	0.24%	0.21%	0.28%	0.27%
5 year swap*	0.34%	0.31%	0.46%	0.45%
10 year swap*	0.72%	0.68%	0.89%	0.87%
10 year Govt bond		0.74%		0.88%

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

SOURCE: Bloomberg

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