



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Wednesday 10 June 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6515	-0.0007
NZD/AUD	0.9356	-0.0009
NZD/JPY	70.21	-0.30
NZD/EUR	0.5747	-0.0030
NZD/GBP	0.5119	-0.0010
NZD/CNH	4.6112	0.0338
AUD/USD	0.6963	-0.0001
AUD/EUR	0.6143	-0.0027
EUR/USD	1.1335	0.0047
USD/CNH	7.1227	0.0599
GBP/USD	1.2728	0.0010
EUR/GBP	0.8906	0.0030

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.26%	0.10%
2 year swap	0.25%	0.23%
10 year Govt	0.96%	1.05%

## A US recovery, but not recovered!

The number of job openings in the US declined by 965,000 to 5.046 million in April, the lowest level since December 2014. Job openings fell across the board in both the private (-883,000) and in government (-82,000) roles, with the largest declines across professional and business services, health care and social assistance, and retail trade.

The US Economic Optimism Index in the US fell to 47 in June, its lowest level since September 2016, as Americans turned pessimistic about their personal finances. Unsurprisingly, there is a large gap between how stockmarket investors

and non investors feel about the outlook for the US economy, with investors modestly optimistic (52.8) while non investors deeply pessimistic (42.1).

US White House economic advisor, Kevin Hassett, has announced that he expects 3.5-4 million jobs to be added to the economy in June. In saying this, even if the recovery in jobs data continues, there will still need to be more stimulus to the economy.

This raises an interesting question about what actually is an unemployed person in the US, as last Friday's non-farm payrolls number did not include those workers on PPP wage support programmes. This essentially means these workers, which includes over 1.2 million restaurant workers who are getting paid by the Government on a wage support scheme, are not recorded as unemployed.

Germany's trade surplus narrowed sharply to EUR3.5 billion in April, as both exports and imports dropped at record rates amid the pandemic. Exports slumped 31.1% and imports tumbled 21.6%, with trading amongst EU counterparts the areas most effected.

BoE member Cunliffe has been speaking on the newswires announcing the "COVID-19 crisis is very far from over," and that, from a system perspective, "money market funds (are a) source of vulnerability." But policy makers do have an ace up their sleeve as, "negative rates are one possible tool the BoE might use to support demand."

While all of this news was pessimistic, the markets took the news in its stride. In fact, the NASDAQ 100 even traded above 10,000, an all-time high! Ultimately, after peaking, the index then retreated. As a general rule, European and US equity indices, apart from the NASDAQ, are all down 1-2% and the USD Index has managed a small recovery to drive the NZD and AUD off their recent highs. Currently they are trading at 0.6510 and 0.6965 against the USD. This retraction has been mirrored in the fixed income markets, with the US 10-year yield easing to 0.83%.

## NZ outlook improves

Businesses are a little more optimistic as all preliminary outlook indicators increased in the ANZ Business Outlook June Report. Business confidence increased to -33.0 from a net -41.8, export intentions are up -17.1, from -32.2 the previous month, and employment intentions have increased 5 points. Although this is all good news, preliminary numbers remain largely in the negatives, further reiterating the point, a recovery, but not recovered!

The ANZ Truckometer heavy traffic index rose +86.9% in May from the April print. As a reference, May included 13 days of Level 3 lockdown and 18 days of Level 2. Heavy traffic is likely to be a reasonable GDP indicator through this period.

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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	72.14					<b>CAD</b>	0.8734	0.9335
NZD/USD	0.6515	-0.0001	-0.0003	-0.0007	-0.0013	<b>CHF</b>	0.6194	0.6621
NZD/AUD	0.9356	-0.0002	-0.0005	-0.0009	-0.0013	<b>CNY</b>	4.6105	4.9281
NZD/JPY	70.21	-0.05	-0.15	-0.30	-0.66	<b>DKK</b>	4.2847	4.5799
NZD/EUR	0.5747	-0.0005	-0.0015	-0.0030	-0.0062	<b>FJD</b>	1.4033	1.5000
NZD/GBP	0.5119	-0.0002	-0.0005	-0.0010	-0.0019	<b>HKD</b>	5.0488	5.3966
						<b>KRW</b>	780.43	834.19
AU TWI	61.00					<b>MYR</b>	2.7730	2.9640
AUD/USD	0.6963	0.0000	0.0000	-0.0001	-0.0005	<b>NOK</b>	6.0415	6.4577
AUD/NZD	1.0689	0.0002	0.0006	0.0010	0.0015	<b>SEK</b>	5.9974	6.4105
AUD/JPY	75.03	-0.04	-0.12	-0.25	-0.60	<b>SGD</b>	0.9051	0.9674
AUD/EUR	0.6143	-0.0004	-0.0013	-0.0027	-0.0057	<b>TWD</b>	19.40	20.73
AUD/GBP	0.5470	-0.0001	-0.0003	-0.0005	-0.0013	<b>ZAR</b>	10.8256	11.5713
USD Index	96.41							
EUR/USD	1.1335	0.0008	0.0024	0.0047	0.0099	<b>EQUITIES</b>		
USD/JPY	107.77	-0.06	-0.17	-0.34	-0.79			<b>Index</b>
GBP/USD	1.2728	0.0003	0.0006	0.0010	0.0020	<b>NZX50</b>		11,299
EUR/GBP	0.8906	0.0005	0.0015	0.0030	0.0064	<b>ASX200</b>		6,145
						<b>Dow Jones</b>		27,272
						<b>S&amp;P 500</b>		3,210
						<b>FTSE100</b>		6,336
						<b>DAX 30</b>		12,618
						<b>Nikkei</b>		23,091
						<b>COMMODITIES</b>		
								<b>USD</b>
						<b>Dubai Light</b>		40.25
						<b>Brent Crude</b>		41.02
						<b>Gold</b>		1,715.52
						<b>Silver</b>		17.60
						<b>CRB Index</b>		147.02

  

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	0.30%	0.27%	0.21%	0.16%
FRA 180d in 6mths	0.28%	0.25%	0.29%	0.25%
1 year swap*	0.27%	0.24%	0.19%	0.18%
2 year swap*	0.26%	0.23%	0.24%	0.22%
3 year swap*	0.30%	0.27%	0.29%	0.29%
5 year swap*	0.44%	0.42%	0.52%	0.51%
10 year swap*	0.88%	0.86%	1.02%	1.01%
10 year Govt bond		0.94%		1.05%

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

SOURCE: Bloomberg

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