



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Friday 12 June 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6419	-0.0007
NZD/AUD	0.9382	-0.0009
NZD/JPY	68.61	-0.29
NZD/EUR	0.5680	-0.0030
NZD/GBP	0.5099	-0.0010
NZD/CNH	4.5444	0.0364
AUD/USD	0.6842	-0.0001
AUD/EUR	0.6054	-0.0026
EUR/USD	1.1300	0.0047
USD/CNH	7.1227	0.0645
GBP/USD	1.2589	0.0011
EUR/GBP	0.8976	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.26%	0.10%
2 year swap	0.26%	0.21%
10 year Govt	0.85%	0.92%

## A sea of red as realism returns

While it took US markets some time to understand the nuances of Chairman Powell's comments yesterday, Asian and European markets fully understood the implications and set the tone. This morning, equity markets, risk currencies, and risk in general are a sea of red.

At the time of writing, the Dow is down 7.0% and the S&P and NASAQ are down 5.0%. The US 10-year yield has fallen further to 0.666% (that can't be a good sign), and oil has collapsed again with WTI and Brent off 9.0%-9.5%. The volatility index (VIX) spiked to 42%, well above its year to date average.

Against this, the NZD/USD and the AUD/USD have eased to 0.6415 and 0.6845 against the USD, while the NZD/AUD cross is at 0.9375.

While much of the selling pressure can be attributed to the frantic pace of the recent rally, the sheer scale of continuing claims, threats of second waves, and the gloomy predictions of a certain Mr Powell, have all contributed.

In highlighting these points, initial jobless claims continued their downward trend, but at elevated levels, with this morning's print at 1.5 million and continuing claims at 20.9 million. Yes, the numbers are off their highs, but they are still at extreme levels from a historical perspective. We also saw final demand producer prices increase 0.4% against a 0.1% expectation and, this is a new one, the change in US household wealth showed a net decrease of USD6.55 trillion over that last quarter.

We are also starting to see evidence of a second wave of COVID-19 infections in the US. While the perception is that they have passed the hump in the curve, the reality is that we have seen some large percentage increases in cases on a 1-day verse 4-day moving average trend across a host of states including New Jersey, California, Texas, Arizona, and Florida. To date, more than 2 million people in the US have been infected.

Against this anecdotal evidence, Treasury Secretary, Steven Mnuchin, said the US should not shut down the

economy again even if there is another surge in coronavirus cases.

## Meanwhile

EU negotiator, Michel Barnier, is concerned that the UK are wanting preferential treatment in regards to their Brexit negotiations, stating, *"in many areas (Britain) is demanding a lot more than Canada, Japan or many of our other (trade) partners. Britain is looking to maintain the benefits of being a member state without the constraints"* and *"it is looking to pick and choose the most attractive elements of the (EU) single market without the obligations."* Isn't that what a negotiation is all about?

The UK IoD monthly sentiment survey for May highlighted that UK firms have dramatically scaled back their investment and hiring intentions to a 3-year low. On a positive note, there was a mild bounce in confidence, which rose to -60 from April's -67.

A bounce back for New Zealand too, as the country began to exit lock down restrictions with card spending increasing +80.7% in May, up from April's -48.3%.

Lastly, as part of their infrastructure spend, China is upscaling its 5G network with 13,000 5G base stations to be built in Beijing, and 30k nationwide.

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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	71.35					<b>CAD</b>	0.8744 0.9320
NZD/USD	0.6419	-0.0001	-0.0003	-0.0007	-0.0013	<b>CHF</b>	0.6059 0.6458
NZD/AUD	0.9382	-0.0001	-0.0005	-0.0009	-0.0013	<b>CNY</b>	4.5346 4.8336
NZD/JPY	68.61	-0.04	-0.14	-0.29	-0.64	<b>DKK</b>	4.2342 4.5133
NZD/EUR	0.5680	-0.0005	-0.0015	-0.0030	-0.0061	<b>FJD</b>	1.3844 1.4756
NZD/GBP	0.5099	-0.0002	-0.0005	-0.0010	-0.0020	<b>HKD</b>	4.9748 5.3027
						<b>KRW</b>	774.68 825.75
AU TWI	60.30					<b>MYR</b>	2.7635 2.9456
AUD/USD	0.6842	0.0000	0.0000	-0.0001	-0.0005	<b>NOK</b>	6.1749 6.5819
AUD/NZD	1.0659	0.0002	0.0005	0.0011	0.0015	<b>SEK</b>	5.9877 6.3824
AUD/JPY	73.13	-0.04	-0.11	-0.23	-0.58	<b>SGD</b>	0.8946 0.9535
AUD/EUR	0.6054	-0.0004	-0.0013	-0.0026	-0.0056	<b>TWD</b>	19.06 20.32
AUD/GBP	0.5435	-0.0001	-0.0003	-0.0005	-0.0014	<b>ZAR</b>	11.0186 11.7450
USD Index	96.70						
EUR/USD	1.1300	0.0008	0.0024	0.0047	0.0098	<b>EQUITIES</b>	
USD/JPY	106.89	-0.06	-0.16	-0.33	-0.78		<b>Index</b>
GBP/USD	1.2589	0.0003	0.0006	0.0011	0.0023	<b>NZX50</b>	11,155
EUR/GBP	0.8976	0.0005	0.0014	0.0029	0.0062	<b>ASX200</b>	5,961
						<b>Dow Jones</b>	25,131
						<b>S&amp;P 500</b>	3,019
						<b>FTSE100</b>	6,077
						<b>DAX 30</b>	11,970
						<b>Nikkei</b>	22,473
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	40.54
						<b>Brent Crude</b>	38.04
						<b>Gold</b>	1,727.95
						<b>Silver</b>	17.61
						<b>CRB Index</b>	143.25

  

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%	0.19%	0.14%
FRA 180d in 6mths	0.25%	0.22%	0.28%	0.24%
1 year swap*	0.27%	0.24%	0.18%	0.16%
2 year swap*	0.27%	0.24%	0.22%	0.20%
3 year swap*	0.30%	0.27%	0.28%	0.27%
5 year swap*	0.42%	0.40%	0.49%	0.47%
10 year swap*	0.83%	0.80%	0.93%	0.90%
10 year Govt bond		0.83%		0.92%

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

SOURCE: Bloomberg

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