



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 16 June 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6475	-0.0007
NZD/AUD	0.9361	-0.0010
NZD/JPY	69.52	-0.30
NZD/EUR	0.5724	-0.0031
NZD/GBP	0.5143	-0.0011
NZD/CNH	4.5799	0.0375
AUD/USD	0.6917	-0.0001
AUD/EUR	0.6113	-0.0026
EUR/USD	1.1314	0.0048
USD/CNH	7.1227	0.0658
GBP/USD	1.2591	0.0013
EUR/GBP	0.8985	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.27%	0.10%
2 year swap	0.25%	0.21%
10 year Govt	0.79%	0.86%

Let's all issue a bond

Overnight the Fed announced it will now buy corporate bonds directly rather than just bond ETFs. According to the Fed, this “update” in strategy is meant to “improve market functioning.” The program will buy up to USD750 billion of bonds, including new issues, with the Treasury providing up to USD75 billion to cover losses.

The strategy was highlighted in comments from Fed member, Daly, who was out on the news wires. Headline comments included, “Central bank needs to be prepared to do more to support economy,” and “I expect our current stance

to continue until the economy has largely recovered what’s been lost,” as well as, “outcome-based forward guidance has been effective in the past.”

Fellow Fed member Kaplan was also out stating that despite the short-term rise in food prices, most forces will be disinflationary in the next couple of years.

The Fed put remains in place

The markets loved the ‘updated’ Fed strategy and went to town. As an example, the Dow was down 762 points before recovering into positive territory. The initial ‘sea of red’ from the Asian and European indices was derived from escalating fears of second waves forcing new rounds of lockdowns, but that is all in the review mirror, at least for the moment. This positivity has seen the NZD recover to 0.6475 against the USD, while the AUD has also firmed to 0.6915 against the USD. The US 10 year is currently yielding 0.72%.

In terms of second waves, Tokyo reported the highest number of new COVID-19 cases over the weekend with 47 new cases, and then reportedly found another 50 new cases in the last 24 hours.

We also had six food markets in Beijing close as the capital banned tourism and sports events after a cluster of new infections. By all accounts, Chinese officials are eyeing a seafood shipment that came from Europe as the source of the new outbreak. Best they just purchase NZ COVID-free seafood!

In other Chinese related news, the Peoples Bank of China maintained their medium-term loan rate at 2.95% on their one-year medium-term lending facility (“MLF”) for financial institutions, May Industrial production increased +4.4% annualised against an expected 5.0% increase, while retail sales declined by 2.8 percent year-on-year.

NZ REINZ house data highlighted a -0.5% monthly fall in prices, although they were up +7.9% for the year. The number of sales going though was down a whopping 46.6% with the time to sell a house at 58 days, its highest level in 9 years. NZ Food Price Index for May was -0.8% month on month (prior +1.0%).

Australian Prime Minister, Scott Morrison, stated the pandemic will cause AUD100 billion in economic activity to be lost from the Australian economy this year. This was highlighted by the announcement that Australian banks have granted home loan deferrals to 480,727 customers, whose total borrowings come to AUD173.4 billion.

It’s been reported the Bank of England will increase their QE programme by an additional GBP150 billion. Meanwhile, Brexit contradictions continue with a report UK MPs are set to urge the government to allow a vote on extending the transition period, although, another report suggests Prime Minister, Boris Johnson, is set to tell the EU he wants a deal by autumn “at the latest.”

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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	71.87					CAD	0.8790 0.9389
NZD/USD	0.6475	-0.0001	-0.0003	-0.0007	-0.0014	CHF	0.6145 0.6564
NZD/AUD	0.9361	-0.0002	-0.0005	-0.0010	-0.0015	CNY	4.5902 4.9035
NZD/JPY	69.52	-0.04	-0.14	-0.30	-0.66	DKK	4.2677 4.5590
NZD/EUR	0.5724	-0.0005	-0.0015	-0.0031	-0.0063	FJD	1.4099 1.5061
NZD/GBP	0.5143	-0.0002	-0.0005	-0.0011	-0.0022	HKD	5.0185 5.3610
						KRW	783.10 836.56
AU TWI	59.40					MYR	2.7500 2.9377
AUD/USD	0.6917	0.0000	0.0000	-0.0001	-0.0004	NOK	6.1788 6.6005
AUD/NZD	1.0683	0.0002	0.0006	0.0011	0.0017	SEK	6.0188 6.4297
AUD/JPY	74.26	-0.03	-0.11	-0.24	-0.59	SGD	0.9008 0.9623
AUD/EUR	0.6113	-0.0004	-0.0013	-0.0026	-0.0057	TWD	19.23 20.54
AUD/GBP	0.5493	-0.0001	-0.0003	-0.0006	-0.0014	ZAR	11.0922 11.8493
USD Index	96.76						
EUR/USD	1.1314	0.0008	0.0024	0.0048	0.0100	EQUITIES	
USD/JPY	107.36	-0.06	-0.17	-0.34	-0.79		Index
GBP/USD	1.2591	0.0003	0.0007	0.0013	0.0025	NZX50	10,864
EUR/GBP	0.8985	0.0004	0.0014	0.0029	0.0061	ASX200	5,720
						Dow Jones	25,625
						S&P 500	3,049
						FTSE100	6,065
						DAX 30	11,911
						Nikkei	21,531
						COMMODITIES	
							USD
						Dubai Light	37.46
						Brent Crude	39.57
						Gold	1,724.19
						Silver	17.35
						CRB Index	143.12

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	0.29%	0.25%	0.12%	0.08%
FRA 90d in 3mths	0.31%	0.28%	0.18%	0.13%
FRA 180d in 6mths	0.25%	0.22%	0.26%	0.22%
1 year swap*	0.28%	0.25%	0.17%	0.16%
2 year swap*	0.27%	0.24%	0.21%	0.20%
3 year swap*	0.30%	0.27%	0.27%	0.26%
5 year swap*	0.40%	0.37%	0.48%	0.47%
10 year swap*	0.75%	0.72%	0.90%	0.88%
10 year Govt bond		0.77%		0.86%

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

SOURCE: Bloomberg

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