



MARKET ALERT

Wednesday 17 June 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6446	-0.0007
NZD/AUD	0.9367	-0.0010
NZD/JPY	69.16	-0.29
NZD/EUR	0.5725	-0.0030
NZD/GBP	0.5130	-0.0011
NZD/CNH	4.5667	0.0422
AUD/USD	0.6882	0.0000
AUD/EUR	0.6112	-0.0026
EUR/USD	1.1260	0.0048
USD/CNH	7.1227	0.0733
GBP/USD	1.2566	0.0012
EUR/GBP	0.8961	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.27%	0.10%
2 year swap	0.26%	0.21%
10 year Govt	0.84%	0.92%

A dollar each way

Fed Chairman, Jerome Powell, was king of the headlines overnight with his semi-annual monetary policy report to Congress. Unsurprisingly, he continued to ‘hedge his bets’ on the economy with *“There’s a reasonable probability more support will be needed from Fed,”* although, *“he is confident the US will recover in the long term, but we have to be patient with it.”* Ultimately, the Fed, *“want to be there if things turn.”*

The one comment we liked was, *“I don’t see us wanting to run through the corporate bond market like an elephant.”* The implication of this comment is that if the market continues to function,

then the Fed simply won’t buy as many corporate bonds as previously indicated, highlighted by his comments on exiting QE when he stated, *“we would probably freeze the balance sheet to exit, but that’s some years away.”*

The Fed announced it will expand its ‘main street’ lending program even further, to provide credit access for non-profits. When did a hedge fund qualify as a non-profit?

US retail sales jumped 17.7% in May, recovering all of the 14.7% fall in April, and much better than the forecasts 8.0% increase. It is the largest rise on record, and while the 188.0% monthly gain in the clothing sector will be welcome, clothing sales remain 63.0% lower than a year ago.

In a move that translates into ‘going all-in,’ President Trump is considering a further USD1 trillion economic stimulus via an infrastructure spend. The only thing missing is the term, ‘shovel ready.’

Rumours abound that US Secretary of State, Mike Pompeo, will meet with China’s top foreign policy official, Yang Jiechi, in Hawaii this week. Don’t know what they’ll talk about but, maybe, trade, COVID-19, Hong Kong, how to rig an election?

Beijing has closed all schools and restricted travel amid a second wave of infections.

Germany’s ZEW Indicator, which highlights economic sentiment, rose by 12.4 points in June from May’s 63.4 print.

This was its highest reading since March 2006 and above market expectations of 60.0

More support

This morning’s GDT auction highlighted there is still global demand for dairy products, with the main index up 1.9% and the important WMP up 2.2%.

The BoJ maintained their short-term interest rate target at -0.10%, and 10-year JGB yield target around 0.00%, but they did increase their COVID programme to JPY110 trillion from JPY75 trillion as, *“Japan’s economy is in increasingly severe state.”*

The RBA’s June policy meeting minutes also sung from the same song book as the BoJ, affirming their accommodative policy settings as the RBA, *“affirmed will not increase the cash rate (and) that the target for three-year yields would be maintained until progress is made towards the bank’s goals of full employment and the inflation target.”* The minutes then stated they are, *“prepared to scale up bond purchases again, if necessary,”* although the RBA has only entered the market once to purchase government bonds since the previous meeting.

In amongst all this, equities consolidated their recent gains with indices broadly up 1.0-2.0%, the 10-year yield firmed to 0.75%, and the USD continued to recover from a key support level which saw the NZD and AUD ease to 0.6445 and 0.6880 respectively.

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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	71.68					CAD	0.8742 0.9333
NZD/USD	0.6446	-0.0001	-0.0003	-0.0007	-0.0014	CHF	0.6128 0.6542
NZD/AUD	0.9367	-0.0002	-0.0006	-0.0010	-0.0016	CNY	4.5675 4.8762
NZD/JPY	69.16	-0.04	-0.14	-0.29	-0.66	DKK	4.2688 4.5573
NZD/EUR	0.5725	-0.0005	-0.0015	-0.0030	-0.0063	FJD	1.3981 1.4925
NZD/GBP	0.5130	-0.0002	-0.0005	-0.0011	-0.0022	HKD	4.9957 5.3333
						KRW	781.68 834.50
AU TWI	60.60					MYR	2.7620 2.9486
AUD/USD	0.6882	0.0001	0.0001	0.0000	-0.0004	NOK	6.1722 6.5892
AUD/NZD	1.0676	0.0002	0.0007	0.0012	0.0018	SEK	6.0389 6.4470
AUD/JPY	73.84	-0.03	-0.10	-0.23	-0.58	SGD	0.8989 0.9596
AUD/EUR	0.6112	-0.0004	-0.0012	-0.0026	-0.0057	TWD	19.13 20.42
AUD/GBP	0.5477	-0.0001	-0.0002	-0.0006	-0.0014	ZAR	11.1209 11.8724
USD Index	97.03						
EUR/USD	1.1260	0.0008	0.0024	0.0048	0.0100	EQUITIES	
USD/JPY	107.31	-0.05	-0.16	-0.33	-0.79		Index
GBP/USD	1.2566	0.0003	0.0007	0.0012	0.0025	NZX50	10,954
EUR/GBP	0.8961	0.0005	0.0014	0.0029	0.0061	ASX200	5,942
						Dow Jones	26,182
						S&P 500	3,124
						FTSE100	6,243
						DAX 30	12,316
						Nikkei	22,582
						COMMODITIES	
							USD
						Dubai Light	39.44
						Brent Crude	40.77
						Gold	1,725.71
						Silver	17.43
						CRB Index	144.71

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%	0.15%
2 year swap*	0.27%	0.25%	0.21%	0.20%
3 year swap*	0.30%	0.28%	0.27%	0.26%
5 year swap*	0.42%	0.40%	0.48%	0.46%
10 year swap*	0.79%	0.77%	0.93%	0.92%
10 year Govt bond		0.82%		0.92%

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

SOURCE: Bloomberg

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