



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Thursday 18 June 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6451	-0.0007
NZD/AUD	0.9380	-0.0010
NZD/JPY	69.01	-0.28
NZD/EUR	0.5743	-0.0030
NZD/GBP	0.5144	-0.0011
NZD/CNH	4.5648	0.0386
AUD/USD	0.6878	0.0000
AUD/EUR	0.6122	-0.0026
EUR/USD	1.1234	0.0048
USD/CNH	7.1227	0.0675
GBP/USD	1.2541	0.0012
EUR/GBP	0.8957	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.27%	0.10%
2 year swap	0.24%	0.19%
10 year Govt	0.85%	0.92%

## Call out the army, Forrest Gump

Prime Minister, Jacinda Ardern, called in the military to enforce border controls after two women left quarantine early for a road trip to catch up with friends and family. They were asked if they felt unwell and, as they said ‘no’, they weren’t tested. They subsequently tested positive for coronavirus.

Surely someone’s head should roll for such incompetence. Either that or they should be made a government minister and given the health portfolio. Anyone for mountain biking?

RBNZ Governor, Adrian Orr, has at last come out swinging at the currency, or rather, murmured about negative interest rates. Speaking to CNN, Mr Orr said, he is very pleased with the impact that QE has had on lowering interest rates and flattening the yield curve. Should the NZ economy need additional stimulus, next steps could include increasing the size of QE, increasing the number of instruments that could be included in QE, and, a negative cash rate still a possibility. Mr Orr is confident that there are plenty of tools to support stimulus, although the ‘main game in town’ is fiscal.

To highlight the current economic status quo, NZ’s annual current account deficit contracted by -2.7% of GDP in March quarter from -3.0% in the December quarter last year. The deficit is the smallest since 2017. We should get further economic evidence today with March quarter GDP at 10:45am, with forecasts predicting a 1.0% contraction.

Mr Powell continued his testimony to Congress, largely mirroring yesterday’s rhetoric. Once again he highlighted that congressional support is critical at this time and he urged Congress not to pull back too quickly on federal relief for households and small businesses, stating, *“it would be a concern if Congress were to pull back from the support that it’s providing too quickly. The economy is just now beginning to recover. It’s a critical phase and I think that support would be well-placed at this time.”*

## Here’s a headline

Here’s a headline we thought we’d never see, *“Risk trades dip after John Bolton’s book on Trump leaked to the NYTimes.”* By all accounts, the book suggests President Trump asked President Xi for help to win the 2020 election. And it’s true, going into the last hour of trading, US equities gave up their gains and went into the red. The impact appears to be limited to equities, as the NZD and AUD remain respectively at the 0.6450 and 0.6875 levels against the USD. Commodity prices are steady although oil continues to ease with WTI down 1.5% and crude 0.5% lower. The yield on the US 10-year treasury is at 0.73%

Brazil reported a record number of daily virus cases while hospitalizations surged in the U.S, with at least six states reporting record single day increases. While they try to get a grip on the first wave, Beijing is struggling to contain a second outbreak, reporting 137 new cases.

China announced it will continue to use RRR cuts and re-lending to maintain domestic liquidity.

While we are sure talks have been progressing for at least a year, New Zealand announced it has formally begun free trade talks with the UK.

Finally, you remember Hertz, that bankrupt company? They have suspended plans for a USD500 million equity issue after a SEC review.

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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	71.77					<b>CAD</b>	0.8760 0.9339
NZD/USD	0.6451	-0.0001	-0.0003	-0.0007	-0.0014	<b>CHF</b>	0.6122 0.6527
NZD/AUD	0.9380	-0.0002	-0.0005	-0.0010	-0.0016	<b>CNY</b>	4.5710 4.8731
NZD/JPY	69.01	-0.04	-0.13	-0.28	-0.65	<b>DKK</b>	4.2816 4.5646
NZD/EUR	0.5743	-0.0005	-0.0015	-0.0030	-0.0063	<b>FJD</b>	1.4029 1.4957
NZD/GBP	0.5144	-0.0001	-0.0005	-0.0011	-0.0022	<b>HKD</b>	4.9999 5.3303
						<b>KRW</b>	784.12 835.95
AU TWI	60.10					<b>MYR</b>	2.7637 2.9463
AUD/USD	0.6878	0.0001	0.0001	0.0000	-0.0003	<b>NOK</b>	6.1484 6.5548
AUD/NZD	1.0661	0.0002	0.0006	0.0011	0.0018	<b>SEK</b>	6.0208 6.4187
AUD/JPY	73.57	-0.03	-0.10	-0.22	-0.57	<b>SGD</b>	0.8992 0.9586
AUD/EUR	0.6122	-0.0004	-0.0012	-0.0026	-0.0057	<b>TWD</b>	19.11 20.37
AUD/GBP	0.5484	0.0000	-0.0002	-0.0005	-0.0014	<b>ZAR</b>	11.1011 11.8348
USD Index	97.13						
EUR/USD	1.1234	0.0008	0.0024	0.0048	0.0100	<b>EQUITIES</b>	
USD/JPY	106.98	-0.05	-0.16	-0.33	-0.77		<b>Index</b>
GBP/USD	1.2541	0.0002	0.0006	0.0012	0.0026	<b>NZX50</b>	11,334
EUR/GBP	0.8957	0.0005	0.0014	0.0029	0.0061	<b>ASX200</b>	5,992
						<b>Dow Jones</b>	26,077
						<b>S&amp;P 500</b>	3,120
						<b>FTSE100</b>	6,253
						<b>DAX 30</b>	12,382
						<b>Nikkei</b>	22,456
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	39.52
						<b>Brent Crude</b>	40.58
						<b>Gold</b>	1,728.60
						<b>Silver</b>	17.51
						<b>CRB Index</b>	144.83

  

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%	0.24%	0.20%
1 year swap*	0.27%	0.24%	0.16%	0.14%
2 year swap*	0.26%	0.23%	0.20%	0.18%
3 year swap*	0.28%	0.25%	0.25%	0.24%
5 year swap*	0.40%	0.37%	0.45%	0.44%
10 year swap*	0.79%	0.76%	0.90%	0.88%
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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