



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 2 June 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6298	-0.0007
NZD/AUD	0.9263	-0.0010
NZD/JPY	67.75	-0.28
NZD/EUR	0.5656	-0.0029
NZD/GBP	0.5038	-0.0009
NZD/CNH	4.4888	0.0348
AUD/USD	0.6800	-0.0001
AUD/EUR	0.6106	-0.0025
EUR/USD	1.1136	0.0044
USD/CNH	7.1227	0.0635
GBP/USD	1.2500	0.0009
EUR/GBP	0.8909	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.26%	0.10%
2 year swap	0.23%	0.21%
10 year Govt	0.82%	0.90%

Don't panic ... be happy

So, let me get this right ... a global pandemic, riots across much of the US, and still equities continue to grind higher. I guess the global economy must be in a good place.

This weekend saw the US cross an uneasy threshold, with all 50 states beginning to reopen in some way after the COVID-19 induced lockdowns, and while this is a positive, we will need to see an increase in consumption to underpin this recovery.

A certain Mr Trump has also been busy creating further headlines. The President has called for Governors to use

law enforcement officers to 'dominate' protesters, announced that the US will cut ties and funding to the WHO, and, independently started discussions with Mr Putin to invite Russia to the next G7 meeting. Russia was expelled from this group after its 2014 incursion into the Ukraine.

Overnight we had the ISM Manufacturing PMI, which saw a modest increase to 43.1 in May from April's 41.5. This print underperformed market forecasts of 43.6 and highlights the sharp manufacturing contraction within the US.

This series of slowly escalating 'conflicts' has seen the USD weaken, and the EUR, GBP and CNY cement recent gains.

We have also seen the NZD/USD and AUD/USD make new 3 month highs at 0.6295 and 0.6795 respectfully. Equity markets continue to make small gains while the US 10 year yield is stable at 0.67%.

China is not stepping down

Chinese government officials have allegedly told state run agricultural companies to pause purchases of some American farm goods as Beijing evaluates the ongoing escalation of tensions with the US. This has seen the Chinese Renminbi weaken from its recent 10 month high over the last few sessions.

China also mentioned that it wants a 'peaceful reunification' with Taiwan, and that a "one country, two systems" approach

is the best way to bring China and Taiwan together. Hmm, it would be interesting to hear Hong Kong's view on that idea! Unfortunately, we then had a senior Chinese general mention that if a peaceful reunification is gone, the Chinese military will use all possible ways to ensure completeness of (their) territory.

This week, the PBoC will begin buying bank loans made by local lenders to small firms, a move to encourage banks to lend as much as CNY1 trillion to small businesses amid the pandemic.

NZ Finance Minister, Grant Robertson, announced the economy is opening up and improving by stating, well, "the economy is opening up" and "output is improving."

As protectionism and the trade war starts to evolve, the UK is seeking an alliance of ten democracies to provide alternative suppliers of 5G equipment and other technologies to lessen their reliance on China. By all accounts, the UK has approached the G7 plus Australia, South Korea and India. Against this, China will extend its anti-dumping probe beyond US and Japanese chemical exports to include South Korea, and Malaysia

The G20 have offered a suspension of official bilateral debt payments to 77 eligible countries. So far, 36 of the 77 eligible countries have applied for the debt relief.

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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	70.53					CAD	0.8546	0.9226
NZD/USD	0.6298	-0.0001	-0.0003	-0.0007	-0.0014	CHF	0.6053	0.6535
NZD/AUD	0.9263	-0.0002	-0.0005	-0.0010	-0.0014	CNY	4.4888	4.8462
NZD/JPY	67.75	-0.04	-0.13	-0.28	-0.63	DKK	4.2162	4.5518
NZD/EUR	0.5656	-0.0004	-0.0014	-0.0029	-0.0060	FJD	1.3934	1.5043
NZD/GBP	0.5038	-0.0001	-0.0005	-0.0009	-0.0019	HKD	4.8813	5.2699
						KRW	770.11	831.42
AU TWI	59.30					MYR	2.6902	2.9044
AUD/USD	0.6800	0.0000	0.0000	-0.0001	-0.0004	NOK	6.0558	6.5379
AUD/NZD	1.0796	0.0002	0.0006	0.0011	0.0017	SEK	5.8945	6.3638
AUD/JPY	73.15	-0.03	-0.10	-0.23	-0.56	SGD	0.8864	0.9570
AUD/EUR	0.6106	-0.0004	-0.0012	-0.0025	-0.0055	TWD	18.85	20.35
AUD/GBP	0.5440	-0.0001	-0.0002	-0.0004	-0.0012	ZAR	10.9445	11.8159
USD Index	97.81							
EUR/USD	1.1136	0.0007	0.0022	0.0044	0.0095	EQUITIES		
USD/JPY	107.58	-0.05	-0.15	-0.32	-0.76			Index
GBP/USD	1.2500	0.0002	0.0005	0.0009	0.0020	NZX50		10,882
EUR/GBP	0.8909	0.0004	0.0014	0.0029	0.0062	ASX200		5,819
						Dow Jones		25,484
						S&P 500		3,055
						FTSE100		6,166
						DAX 30		11,587
						Nikkei		22,062
						COMMODITIES		
								USD
						Dubai Light		37.54
						Brent Crude		38.59
						Gold		1,740.03
						Silver		18.32
						CRB Index		140.53

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	0.31%	0.23%	0.18%	0.13%
FRA 180d in 6mths	0.26%	0.23%	0.27%	0.23%
1 year swap*	0.27%	0.23%	0.19%	0.16%
2 year swap*	0.25%	0.21%	0.22%	0.20%
3 year swap*	0.26%	0.22%	0.28%	0.27%
5 year swap*	0.37%	0.33%	0.47%	0.45%
10 year swap*	0.75%	0.71%	0.89%	0.87%
10 year Govt bond		0.81%		0.90%

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

SOURCE: Bloomberg

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