



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 22 June 2020 | www.bancorptreasury.com

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6382 | -0.0007 |
| NZD/AUD | 0.9367 | -0.0010 |
| NZD/JPY | 68.16 | -0.27 |
| NZD/EUR | 0.5703 | -0.0030 |
| NZD/GBP | 0.5168 | -0.0010 |
| NZD/CNH | 4.5171 | 0.0370 |
| AUD/USD | 0.6813 | 0.0000 |
| AUD/EUR | 0.6090 | -0.0026 |
| EUR/USD | 1.1187 | 0.0047 |
| USD/CNH | 7.1227 | 0.0655 |
| GBP/USD | 1.2348 | 0.0012 |
| EUR/GBP | 0.9060 | 0.0030 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 0.25% | 0.25% |
| 90 day bills | 0.29% | 0.11% |
| 2 year swap | 0.22% | 0.19% |
| 10 year Govt | 0.89% | 0.86% |

We will recover ... and retain our rating

Fed Chairman, Jerome Powell, was on the news wires as we entered the weekend stating the *“US will recover but it will take time and work.”* Interestingly, he then added that the pandemic has seen outsized effects on many areas that were already suffering, and it has exposed a range of inequalities.

Moody’s has affirmed the US of A’s sovereign credit rating at Aaa, with a stable outlook. And it’s probably not surprising given that in 2013, the US

government sued the S&P rating agency in ‘retaliation’ for its downgrade of the country’s credit rating. S&P may have been right, but it did apparently cost them USD1.5 billion when they eventually settled.

New COVID-19 cases and re-opening surges seem to be the story of the day. Apple has announced they’re closing some US stores again because of virus spikes and Israel warned it may have to renew lockdown restrictions.

An interesting pandemic related positive has been a record USD2 trillion surge in cash that has hit the deposit accounts of US banks. In April alone, deposits grew by USD865 billion, more than the previous record for an entire year. Unfortunately, deposit gains were concentrated at the very top of the banking industry as JPMorgan Chase, Bank of America and Citigroup grew much faster than smaller firms in the first quarter.

Foreign purchases of Chinese bonds doubled to USD19.4 billion in May as ‘hot money’ flows sought to trade on the yield differential. Chinese banks also reported a 61% rise in FX trading, to USD23.8 billion, during the month as firms and individuals converted USD into yuan.

In New Zealand, a local investigation has found 73 companies, who received

a total of NZD8 million of wage subsidy payments, have gone into receivership or liquidation.

Following last weeks subdued close, this morning markets have opened a touch softer, with the NZD and AUD at 0.6385 and 0.6815 respectively against the USD.

Where’s the loose change jar?

Wirecard’s, a German payments company that has often been espoused as the future of Germany’s finance industry, saw its shares plunge 72% last week after a disclosure that it was unable to locate EUR1.9 billion, about a quarter of its balance sheet. Best they have a look down the back of the company sofa!

In the weekend’s most unsurprising political news Russian President, Vladimir Putin, has announced he’ll consider running for a fifth presidential term in 2024, as any hunt for a successor risks paralyzing the Russian government.

In the week ahead, from the US we have GDP, personal consumption, durable goods, existing and new home sales and PMI’s. Elsewhere, we have monetary policy decisions from China and New Zealand, as well as PMI readings from the UK, Eurozone, Japan and Australia.

This document has been prepared by Bancorp Treasury Services Limited (“BTSL”). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

Monday 22 June 2020 | www.bancorptreasury.com

| FX | Spot | | FECs (mid) | | | | Spot Mid | |
|-----------|--------|---------|------------|---------|---------|--------------------|----------|--------------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 71.33 | | | | | CAD | 0.8688 | 0.9275 |
| NZD/USD | 0.6382 | -0.0001 | -0.0003 | -0.0007 | -0.0013 | CHF | 0.6076 | 0.6487 |
| NZD/AUD | 0.9367 | -0.0002 | -0.0005 | -0.0010 | -0.0015 | CNY | 4.5311 | 4.8372 |
| NZD/JPY | 68.16 | -0.04 | -0.13 | -0.27 | -0.62 | DKK | 4.2536 | 4.5410 |
| NZD/EUR | 0.5703 | -0.0004 | -0.0015 | -0.0030 | -0.0062 | FJD | 1.3958 | 1.4902 |
| NZD/GBP | 0.5168 | -0.0001 | -0.0005 | -0.0010 | -0.0021 | HKD | 4.9447 | 5.2789 |
| | | | | | | KRW | 777.01 | 829.52 |
| AU TWI | 60.00 | | | | | MYR | 2.7477 | 2.9334 |
| AUD/USD | 0.6813 | 0.0001 | 0.0001 | 0.0000 | -0.0004 | NOK | 6.1418 | 6.5568 |
| AUD/NZD | 1.0676 | 0.0002 | 0.0006 | 0.0011 | 0.0017 | SEK | 6.0246 | 6.4317 |
| AUD/JPY | 72.76 | -0.03 | -0.09 | -0.21 | -0.55 | SGD | 0.8918 | 0.9521 |
| AUD/EUR | 0.6090 | -0.0004 | -0.0012 | -0.0026 | -0.0057 | TWD | 18.96 | 20.24 |
| AUD/GBP | 0.5517 | -0.0001 | -0.0002 | -0.0005 | -0.0014 | ZAR | 11.1368 | 11.8894 |
| USD Index | 97.62 | | | | | | | |
| EUR/USD | 1.1187 | 0.0008 | 0.0024 | 0.0047 | 0.0099 | EQUITIES | | |
| USD/JPY | 106.80 | -0.06 | -0.15 | -0.31 | -0.75 | | | Index |
| GBP/USD | 1.2348 | 0.0002 | 0.0006 | 0.0012 | 0.0025 | NZX50 | | 11,255 |
| EUR/GBP | 0.9060 | 0.0005 | 0.0014 | 0.0030 | 0.0062 | ASX200 | | 5,943 |
| | | | | | | Dow Jones | | 25,871 |
| | | | | | | S&P 500 | | 3,098 |
| | | | | | | FTSE100 | | 6,293 |
| | | | | | | DAX 30 | | 12,331 |
| | | | | | | Nikkei | | 22,479 |
| | | | | | | COMMODITIES | | |
| | | | | | | | | USD |
| | | | | | | Dubai Light | | 41.46 |
| | | | | | | Brent Crude | | 42.19 |
| | | | | | | Gold | | 1,742.28 |
| | | | | | | Silver | | 17.61 |
| | | | | | | CRB Index | | 146.52 |

| 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 | 0.31% | 0.27% | 0.13% | 0.09% |
| FRA 90d in 3mths | 0.32% | 0.29% | 0.18% | 0.13% |
| FRA 180d in 6mths | 0.24% | 0.21% | 0.24% | 0.20% |
| 1 year swap* | 0.27% | 0.24% | 0.15% | 0.14% |
| 2 year swap* | 0.24% | 0.21% | 0.19% | 0.18% |
| 3 year swap* | 0.26% | 0.23% | 0.24% | 0.23% |
| 5 year swap* | 0.38% | 0.34% | 0.43% | 0.42% |
| 10 year swap* | 0.75% | 0.72% | 0.86% | 0.85% |
| 10 year Govt bond | | 0.88% | | 0.86% |

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

SOURCE: Bloomberg

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.