



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 23 June 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6482	-0.0006
NZD/AUD	0.9380	-0.0009
NZD/JPY	69.30	-0.27
NZD/EUR	0.5756	-0.0030
NZD/GBP	0.5200	-0.0010
NZD/CNH	4.5746	0.0419
AUD/USD	0.6910	0.0000
AUD/EUR	0.6137	-0.0026
EUR/USD	1.1260	0.0048
USD/CNH	7.1227	0.0713
GBP/USD	1.2466	0.0012
EUR/GBP	0.9033	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.11%
2 year swap	0.23%	0.19%
10 year Govt	0.88%	0.87%

Central Bankers continue to talk-the-talk

With UK debt now exceeding GDP, BOE Governor, Andrew Bailey, is already looking way beyond the pandemic, stating that the BoE's balance sheet could shrink before they started raising rates. The rationale of his thinking is that a re-built balance sheet would give the BOE more firepower in a future crisis, as opposed to an elevated balance sheet which would limit their room to manoeuvre. This remark is significant as it implies that if/when we see a rebound in the UK economy, the central bank

will look to reducing their balance sheet levels first before raising interest rates. Still, given the state of Britain's economy, we don't think this is something they will need to contemplate for a very long time!

Reserve Bank of Australia Governor, Philip Lowe, was talking about the Australian dollar, stating he would, *"like to see a lower AUD at some point, (although it's) not at point where the AUD is a problem."* He then added, *"it's hard to argue the AUD is overvalued."* Governor Lowe then moved on to monetary policy, adding, the RBA *"still have monetary policy measures to use. (The) monetary policy framework serves us well, (but we) might need to look at it in future."*

The Reserve Bank of New Zealand ("RBNZ") 'shadow board,' the New Zealand Institute of Economic Research (NZIER), continues to favour further QE over a negative OCR. This isn't really a surprise, as RBNZ Governor, Adrian Orr, has continuously stated this, but here we go ... There remains a wide range of views amongst the 'Shadow Board' on whether more monetary policy stimulus is required but the consensus view was that should more stimulus be required, the majority favoured an expansion of the RBNZ's QE programme.

BoC's Tiff Macklem announced, *"exit from asset purchase program is a long way off,"* while the Fed's Eric S. Rosengren added, *"we need to keep rates low at the short and long end."* Bundesbank head,

Jens Weidmann, believes the worst of Germany's economic slump has passed.

China left its monthly Loan Prime Rate setting left unchanged at 3.85%, for the 1 year rate, and 4.65% for the 5 year rate, as expected.

And the data doesn't help

US data was rather 'ho-hum' when one considers the impact of the pandemic. Home sales dropped 9.7% to a seasonally adjusted annual rate of 3.9 million, below market expectations of 4.1 million, while the Chicago Fed National Activity Index rose to a record high of 2.6 in May, although the April number was revised lower to a record low of -17.9 as lockdown restrictions were unwound.

In Europe, Eurozone consumer confidence rose 4.1 points to -14.7 in June, against market expectations of -15.0, and up from -18.8 in May, while the UK's Total Order Book rose to -58.0 in June from May's 38-year low of -62.0. Still, it was the lowest reading since July 2009.

Markets-wise, last night was a yawn-fest. Equities were up a touch, as was the NZD and AUD, up to 0.6475 and 0.6900 against the USD.

President Trump is calling for a second round stimulus cheque within the next fiscal package. Hmmm ... when is the election again?

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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	71.96					CAD	0.8771 0.9351
NZD/USD	0.6482	0.0000	-0.0002	-0.0006	-0.0012	CHF	0.6143 0.6549
NZD/AUD	0.9380	-0.0001	-0.0005	-0.0009	-0.0013	CNY	4.5811 4.8842
NZD/JPY	69.30	-0.04	-0.13	-0.27	-0.62	DKK	4.2911 4.5750
NZD/EUR	0.5756	-0.0004	-0.0014	-0.0030	-0.0062	FJD	1.4151 1.5087
NZD/GBP	0.5200	-0.0001	-0.0005	-0.0010	-0.0020	HKD	5.0233 5.3556
						KRW	784.08 835.95
AU TWI	60.00					MYR	2.7603 2.9429
AUD/USD	0.6910	0.0001	0.0001	0.0000	-0.0004	NOK	6.2239 6.6356
AUD/NZD	1.0662	0.0002	0.0005	0.0010	0.0015	SEK	6.0689 6.4703
AUD/JPY	73.88	-0.03	-0.10	-0.22	-0.56	SGD	0.9026 0.9623
AUD/EUR	0.6137	-0.0004	-0.0012	-0.0026	-0.0058	TWD	19.20 20.47
AUD/GBP	0.5543	-0.0001	-0.0002	-0.0005	-0.0014	ZAR	11.2363 11.9796
USD Index	97.05						
EUR/USD	1.1260	0.0008	0.0024	0.0048	0.0101	EQUITIES	
USD/JPY	106.93	-0.06	-0.16	-0.32	-0.76		Index
GBP/USD	1.2466	0.0002	0.0006	0.0012	0.0025	NZX50	11,158
EUR/GBP	0.9033	0.0005	0.0015	0.0030	0.0063	ASX200	5,945
						Dow Jones	26,006
						S&P 500	3,110
						FTSE100	6,245
						DAX 30	12,263
						Nikkei	22,437
						COMMODITIES	
							USD
						Dubai Light	41.61
						Brent Crude	43.08
						Gold	1,755.79
						Silver	17.74
						CRB Index	147.66
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		0.32%	0.28%	0.13%	0.09%		
FRA 90d in 3mths		0.32%	0.29%	0.17%	0.12%		
FRA 180d in 6mths		0.23%	0.20%	0.24%	0.20%		
1 year swap*		0.28%	0.25%	0.16%	0.14%		
2 year swap*		0.25%	0.22%	0.20%	0.18%		
3 year swap*		0.27%	0.24%	0.24%	0.23%		
5 year swap*		0.37%	0.34%	0.44%	0.43%		
10 year swap*		0.74%	0.70%	0.88%	0.86%		
10 year Govt bond			0.87%		0.87%		

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

SOURCE: Bloomberg

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