



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Wednesday 24 June 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6494	-0.0006
NZD/AUD	0.9372	-0.0008
NZD/JPY	69.18	-0.26
NZD/EUR	0.5744	-0.0029
NZD/GBP	0.5188	-0.0009
NZD/CNH	4.5854	0.0397
AUD/USD	0.6930	0.0000
AUD/EUR	0.6129	-0.0026
EUR/USD	1.1306	0.0048
USD/CNH	7.1227	0.0673
GBP/USD	1.2517	0.0011
EUR/GBP	0.9032	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	0.92%	0.90%

Pantomime performance of the day

He's behind you ... oh yes, he is ... oh no, he's not! White House trade adviser, Peter Navarro, speaking with Fox News, declared the trade deal with China was over. Ooops, wait, 45 minutes later he spoke to the Wall Street Journal and denied the trade deal with China was over. Then, Trump's economic adviser, Larry Kudlow, confirmed the trade deal was alive and well, before President Trump jumped on twitter and tweeted, "The China trade deal is fully intact."

Hopefully they will continue to live up to the terms of the Agreement."

So, what did the market do amongst these shenanigans? We saw all risk assets get crushed on the threat of an imploding US-China trade agreement, then, amongst the denials, risk assets violently spiked back to pre-denial levels. This highlights one very important point. Risk assets, particularly the NZD, are inextricably linked to US equities, and with equities feeling a touch over-valued, any signs of weakness or threats to the rally will see violent corrections. Currently the NZD and AUD are trading at 0.6500 and 0.6935 against the USD while the US 10-year yield is at 0.72%.

Data-wise, US sales of new, single-family homes jumped 16.6% in May to an annualised rate of 676k, beating forecasts of a 2.9% rise. The data for April was revised sharply lower to 580K from 623K, making it the lowest since December 2018. US Manufacturing PMI also saw a bounce increasing to 49.6 in June from 39.8 in May, beating market forecasts of 48.0.

And, in positive news, the Fed's James Bullard stated, "the pandemic has not turned out as bad as initially feared."

In the Eurozone, ECB chair, Andrea Enria, has stated that the ECB plans to lift the ban on dividends and share buybacks for banks as soon as situation becomes clearer. You may recall that back

in March the ECB ordered banks to freeze dividends and share buybacks to try and stop a credit crunch in the region. Ms. Enria then added, "the worsening of bad loans problems is inevitable, but (it's) difficult to say to what extent at this stage." As a certain Gordon Gekko once said, "greed is good!"

In other news, Spain is considering a major boost to its EUR113 billion loan guarantee plan as they consider guarantees of up to a further EUR50 billion.

Australian weekly consumer confidence was unchanged at 97.5 while one of the big four banks in Australia forecast nominal wage growth will slow to below 1.0% year-on-year with real wage growth turning negative. On a positive note, Australia preliminary PMI's for June saw manufacturing increase to 49.8 from 44.0, while services jumped to 53.2 from 26.9.

The Japanese June PMI story was a little mixed as services jumped to 42.3 from 26.5 although manufacturing bucked the global trend and decreased further to 37.8 from 38.4. Meanwhile, a member of Japan's ruling party, the LDP, has let slip that the government may provide a further stimulus package in time to give the economy a boost heading into Fall.

Finally, the Financial Times has reported that Japan has given the UK just 6 weeks to agree a post-Brexit trade deal.

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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	71.95					CAD	0.8804 0.9394
NZD/USD	0.6494	0.0000	-0.0002	-0.0006	-0.0012	CHF	0.6138 0.6549
NZD/AUD	0.9372	-0.0001	-0.0005	-0.0008	-0.0013	CNY	4.5835 4.8908
NZD/JPY	69.18	-0.04	-0.12	-0.26	-0.61	DKK	4.2810 4.5681
NZD/EUR	0.5744	-0.0005	-0.0014	-0.0029	-0.0060	FJD	1.4050 1.4992
NZD/GBP	0.5188	-0.0001	-0.0004	-0.0009	-0.0019	HKD	5.0329 5.3704
						KRW	784.73 837.36
AU TWI	60.20					MYR	2.7733 2.9593
AUD/USD	0.6930	0.0001	0.0001	0.0000	-0.0003	NOK	6.1821 6.5966
AUD/NZD	1.0671	0.0002	0.0005	0.0010	0.0014	SEK	6.0378 6.4427
AUD/JPY	73.82	-0.03	-0.09	-0.22	-0.56	SGD	0.9036 0.9641
AUD/EUR	0.6129	-0.0004	-0.0012	-0.0026	-0.0056	TWD	19.22 20.51
AUD/GBP	0.5536	-0.0001	-0.0002	-0.0005	-0.0013	ZAR	11.1983 11.9493
USD Index	96.70						
EUR/USD	1.1306	0.0008	0.0024	0.0048	0.0099	EQUITIES	
USD/JPY	106.53	-0.05	-0.15	-0.32	-0.75		Index
GBP/USD	1.2517	0.0003	0.0006	0.0011	0.0024	NZX50	11,133
EUR/GBP	0.9032	0.0005	0.0014	0.0030	0.0062	ASX200	5,954
						Dow Jones	26,156
						S&P 500	3,130
						FTSE100	6,320
						DAX 30	12,524
						Nikkei	22,549
						COMMODITIES	
							USD
						Dubai Light	42.70
						Brent Crude	42.47
						Gold	1,769.47
						Silver	17.97
						CRB Index	147.18
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		0.33%	0.25%	0.18%	0.13%		
FRA 180d in 6mths		0.23%	0.20%	0.24%	0.20%		
1 year swap*		0.28%	0.25%	0.17%	0.14%		
2 year swap*		0.25%	0.22%	0.20%	0.18%		
3 year swap*		0.26%	0.23%	0.25%	0.24%		
5 year swap*		0.38%	0.35%	0.45%	0.43%		
10 year swap*		0.76%	0.73%	0.90%	0.88%		
10 year Govt bond			0.90%		0.90%		

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

SOURCE: Bloomberg

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