



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Thursday 25 June 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6407	-0.0006
NZD/AUD	0.9327	-0.0009
NZD/JPY	68.59	-0.26
NZD/EUR	0.5694	-0.0029
NZD/GBP	0.5161	-0.0009
NZD/CNH	4.5379	0.0384
AUD/USD	0.6870	0.0000
AUD/EUR	0.6105	-0.0025
EUR/USD	1.1252	0.0047
USD/CNH	7.1227	0.0662
GBP/USD	1.2416	0.0011
EUR/GBP	0.9062	0.0030

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.11%
2 year swap	0.21%	0.19%
10 year Govt	0.95%	0.92%

## What? A pessimistic IMF?

The one thing that you can never accuse the IMF of is being optimistic! And once again, the IMF has downgraded its outlook for the world economy, projecting a significantly deeper recession and slower recovery than it had anticipated just 2 months ago.

Their projections now have global GDP shrinking by 4.9%, while their last prediction was for a 3.0% contraction. The IMF believes the cumulative loss to the world economy this year and next, as a result of the recession, will top USD12.5 trillion. The IMF said its

increased pessimism reflected, “scarring from a larger-than-anticipated supply shock during the earlier lockdown(s), in addition to the continued hit to demand from social distancing and other safety measures.”

However, this hasn’t stopped a certain Mr Trump from threatening to increase international tariffs by up to USD3.1 billion on exports from Canada, UK, France, Germany and Spain. The goods include aluminium, olives, beer, coffee and gin. So, basically all the essentials! There are also talks of increasing duties on aircrafts, cheese and yoghurt. Meanwhile, the EU is also deliberating on keeping the door shut to American travellers this summer.

Fed member, Charles Evans, “expects a broad economic recovery, but it will take time,” and, “no one at the Fed is thinking about negative interest rates.” St. Louis Fed President, James B. Bullard, also followed on from his comments yesterday stating that he is expecting, “a robust recovery in the 2nd half of the year.” And, just to support this optimistic outlook, US Treasury Secretary, Steven Mnuchin, added, “the US economy could be out of recession by year end!” He then spoke about the next stimulus package stating, the “stimulus will be focused on getting people back to work.”

The ‘China Beige Book’ shows that China’s economy contracted in Q2 as global demand remains a drag on domestic growth. Looking forward, the

report stated, “The eventual return to growth does not mean a return to anything approaching the old levels of growth.”

The BoJ’s ‘Summary of Opinions’ highlighted that a prolonged negative impact of COVID-19 on the Japanese economy looks unavoidable. The main headlines included a, “delay in economic recovery could destabilise markets, and potentially hurt the financial system,” and that the BoJ, “must guard against the risk of Japan returning to deflation as the pandemic is hitting broad sectors of economy.”

Comments from Australia’s Council of Financial Regulators (CFR), the coordinating body for Australia’s main financial regulatory agencies, stated, “the outlook, including the nature and speed of the expected recovery, remains uncertain,” and, in a pop at the Banks, they “encourage institutions to make use of their capital buffers to continue to support businesses and households economic activity is now beginning to recover in some sectors.”

After all of the above, 2nd waves gaining traction, and the RBNZ’s dovish tone, international markets were a sea of red.

International equities down 2-3% across the board, oil prices dropped 5%, and the 10 year US yield eased to 0.70%. The NZD and AUD are also in negative territory, with the NZD outperforming. Against the USD, the NZD is at 0.6410 and the AUD 0.6870, while the NZD/AUD cross retraced to 0.9325.

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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	71.25					<b>CAD</b>	0.8731 0.9361
NZD/USD	0.6407	0.0000	-0.0002	-0.0006	-0.0011	<b>CHF</b>	0.6075 0.6513
NZD/AUD	0.9327	-0.0001	-0.0004	-0.0009	-0.0012	<b>CNY</b>	4.5352 4.8626
NZD/JPY	68.59	-0.03	-0.12	-0.26	-0.60	<b>DKK</b>	4.2452 4.5517
NZD/EUR	0.5694	-0.0004	-0.0014	-0.0029	-0.0060	<b>FJD</b>	1.3842 1.4841
NZD/GBP	0.5161	-0.0001	-0.0004	-0.0009	-0.0019	<b>HKD</b>	4.9657 5.3243
						<b>KRW</b>	772.90 828.72
AU TWI	60.50					<b>MYR</b>	2.7533 2.9521
AUD/USD	0.6870	0.0001	0.0001	0.0000	-0.0004	<b>NOK</b>	6.2024 6.6503
AUD/NZD	1.0722	0.0001	0.0005	0.0010	0.0013	<b>SEK</b>	5.9998 6.4331
AUD/JPY	73.54	-0.02	-0.09	-0.21	-0.55	<b>SGD</b>	0.8928 0.9572
AUD/EUR	0.6105	-0.0004	-0.0012	-0.0025	-0.0056	<b>TWD</b>	18.92 20.28
AUD/GBP	0.5533	0.0000	-0.0002	-0.0005	-0.0013	<b>ZAR</b>	11.1439 11.9486
USD Index	97.15						
EUR/USD	1.1252	0.0008	0.0024	0.0047	0.0099	<b>EQUITIES</b>	
USD/JPY	107.05	-0.05	-0.14	-0.31	-0.74		<b>Index</b>
GBP/USD	1.2416	0.0002	0.0006	0.0011	0.0023	<b>NZX50</b>	11,259
EUR/GBP	0.9062	0.0005	0.0015	0.0030	0.0063	<b>ASX200</b>	5,966
						<b>Dow Jones</b>	25,447
						<b>S&amp;P 500</b>	3,064
						<b>FTSE100</b>	6,124
						<b>DAX 30</b>	12,094
						<b>Nikkei</b>	22,534
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	41.04
						<b>Brent Crude</b>	39.99
						<b>Gold</b>	1,766.08
						<b>Silver</b>	17.51
						<b>CRB Index</b>	143.62

  

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	0.29%	0.26%	0.17%	0.12%
FRA 180d in 6mths	0.21%	0.18%	0.24%	0.20%
1 year swap*	0.26%	0.22%	0.16%	0.15%
2 year swap*	0.22%	0.19%	0.20%	0.18%
3 year swap*	0.25%	0.22%	0.24%	0.23%
5 year swap*	0.38%	0.35%	0.44%	0.42%
10 year swap*	0.78%	0.75%	0.88%	0.87%
10 year Govt bond		0.94%		0.92%

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

SOURCE: Bloomberg

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