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BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 26 June 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6432	-0.0005
NZD/AUD	0.9336	-0.0008
NZD/JPY	68.90	-0.25
NZD/EUR	0.5730	-0.0028
NZD/GBP	0.5176	-0.0009
NZD/CNH	4.5546	0.0384
AUD/USD	0.6890	0.0000
AUD/EUR	0.6137	-0.0025
EUR/USD	1.1226	0.0047
USD/CNH	7.1227	0.0656
GBP/USD	1.2427	0.0011
EUR/GBP	0.9034	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.10%
2 year swap	0.20%	0.19%
10 year Govt	0.95%	0.88%

Talking the talk

BlackRock CEO, Larry Fink, was talking to CNBC and made some interesting observations. *“The market is ‘a little ahead of itself’ amid ‘real tragedies’ for small businesses,”* and, *“what’s remarkable is there are more human beings being affected by the disease today than on March 21 when markets were 40% lower.”*

The billionaire fund manager also noted he sees democracies currently being torn between being a compassionate society that prioritises people’s health, versus, being a pragmatic one that prioritises the economy.

Goldman Sachs CEO, David Solomon, still sees a V-shaped recovery for the US economy although he did then hedge his bets stating, *“I do think we’re going to see a sharp V to start with, but it’s very open-ended and I think it’s going to take quite a while for us to get back to where we were before this started.”*

A Reuters poll of UK economists’ highlights what economic commentators are predicating around the world, a disastrous Q2 then a bounce back in Q3. Specific to the UK, they are expecting a 17.3% contraction in Q2 with a 10.5% recovery in Q3. Overall, they expect the UK economy to contract 8.7% in 2020 and grow 5.5% in 2021. Expectations are the BoE will hold the bank rate at 0.10% until end-2022 and expand their QE programme further.

And this was highlighted by US data that showed the US economy shrank by an annualized 5.0% in Q1, its biggest drop in GDP since Q4 2008.

The NZ trade balance for May produced a surplus of NZD1.3 billion, a touch below expectations. Exports, at NZD5.4 billion were in line against forecasts, although imports jumped to NZD4.4 billion from the forecast NZD4.1 billion. Guess those online purchases kept tracking through the lockdown!

We love this ... as part of the US helicopter money drop stimulus plan, the government sent stimulus cheques totalling USD1.4 billion to ... dead Americans!

Amongst the doom and gloom

US companies are continuing to cut jobs more than a month after non-essential businesses resumed operations as initial jobless claims exceeded market expectations of 1.3 million with a headline print 1.5 million. This brings the total number of jobless claims since the start of the pandemic to 47.3 million. The Australian air carrier, Qantas, is set to cut 6,000 jobs as the airline plans cost reductions of AUD15 billion over the next 3 years, with around 100 aircrafts to be grounded for 12 months.

Wirecard’s wild week has finally come to an end. After misplacing USD2 billion last week, this week they have filed for insolvency.

Occidental Petroleum Corp plans to write down the value of its oil and gas properties by up to USD9 billion this quarter and restructure their debt in a bid to stave off bankruptcy.

In amongst the doom and gloom of the data, the global economy, and rising second waves, once again equities are ignoring the fact and focusing on the stimulus.

Global indices are up 1.0-2.0% due to changes in the Volcker Rule that will allow banks to ease lending constraints to venture capital funds. Bond yields are easing with the US 10 year at 0.68%, commodities are in the green, although currencies are trading water with the NZD and AUD at 0.6425 and 0.6885 against the USD.

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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	71.49					CAD	0.8776	0.9400
NZD/USD	0.6432	0.0000	-0.0002	-0.0005	-0.0011	CHF	0.6097	0.6531
NZD/AUD	0.9336	-0.0001	-0.0004	-0.0008	-0.0011	CNY	4.5525	4.8762
NZD/JPY	68.90	-0.03	-0.11	-0.25	-0.59	DKK	4.2718	4.5756
NZD/EUR	0.5730	-0.0004	-0.0014	-0.0028	-0.0060	FJD	1.4010	1.5006
NZD/GBP	0.5176	-0.0001	-0.0004	-0.0009	-0.0018	HKD	4.9852	5.3397
						KRW	773.78	828.81
AU TWI	60.00					MYR	2.7551	2.9510
AUD/USD	0.6890	0.0001	0.0001	0.0000	-0.0004	NOK	6.2045	6.6457
AUD/NZD	1.0711	0.0001	0.0005	0.0009	0.0013	SEK	5.9884	6.4143
AUD/JPY	73.80	-0.02	-0.09	-0.21	-0.55	SGD	0.8947	0.9583
AUD/EUR	0.6137	-0.0003	-0.0012	-0.0025	-0.0057	TWD	18.99	20.34
AUD/GBP	0.5544	0.0000	-0.0002	-0.0005	-0.0013	ZAR	11.0228	11.8068
USD Index	97.35							
EUR/USD	1.1226	0.0007	0.0023	0.0047	0.0099	EQUITIES		
USD/JPY	107.13	-0.05	-0.14	-0.30	-0.74			Index
GBP/USD	1.2427	0.0002	0.0006	0.0011	0.0023	NZX50		11,124
EUR/GBP	0.9034	0.0004	0.0014	0.0030	0.0063	ASX200		5,818
						Dow Jones		25,746
						S&P 500		3,075
						FTSE100		6,147
						DAX 30		12,178
						Nikkei		22,260
						COMMODITIES		
								USD
						Dubai Light		39.49
						Brent Crude		41.40
						Gold		1,763.40
						Silver		17.78
						CRB Index		143.76

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%	0.12%	0.08%
FRA 90d in 3mths	0.29%	0.26%	0.18%	0.13%
FRA 180d in 6mths	0.20%	0.17%	0.24%	0.20%
1 year swap*	0.26%	0.23%	0.16%	0.14%
2 year swap*	0.22%	0.19%	0.20%	0.18%
3 year swap*	0.24%	0.21%	0.24%	0.23%
5 year swap*	0.36%	0.33%	0.45%	0.43%
10 year swap*	0.75%	0.72%	0.88%	0.86%
10 year Govt bond		0.93%		0.88%

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

SOURCE: Bloomberg

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