



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 29 June 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6418	-0.0005
NZD/AUD	0.9355	-0.0008
NZD/JPY	68.73	-0.25
NZD/EUR	0.5718	-0.0028
NZD/GBP	0.5205	-0.0009
NZD/CNH	4.5479	0.0376
AUD/USD	0.6860	0.0000
AUD/EUR	0.6112	-0.0025
EUR/USD	1.1224	0.0047
USD/CNH	7.1227	0.0645
GBP/USD	1.2339	0.0011
EUR/GBP	0.9096	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	0.94%	0.87%

Well that is interesting

Going into last weeks close, there were some interesting developments in US equity markets ...

US regulators have amended the Volcker 2.0 rule. The change allows US banks to boost investments into venture capital funds and to free-up billions of dollars that would have had to be set aside as initial margin to backstop derivatives trades. Ultimately, this move is a continuation of US regulatory efforts to roll back the Dodd-Frank regulation imbedded after the GFC.

Against this though, the Fed has barred the 34 largest US banks from share

buybacks in Q3 and has also capped dividend payments at Q2 levels. The Fed says it is capping dividends following COVID-19 sensitivity analysis to “ensure large banks remain resilient despite the economic uncertainty.” These restrictions are to ensure the banks have enough loss-absorbing capital to keep lending during the pandemic. In addition, the Fed is requiring all 34 banks to undertake stress testing and resubmit their capital plans due to the economic outlook being so uncertain. In previous years, it’s only been those banks that didn’t pass the stress tests that had to submit their capital plans.

Saturday morning saw a sea of red with banks, airlines and Facebook all getting smashed. Facebook fell over 8% after major advertisers pull advertising on the social media site to encourage the company to increase efforts against hate speech and disinformation. Interestingly, while equities spent the session in the red, ‘risk’ currencies did not fall, suggesting the ‘feel good’ correlation may be easing. The NZD and AUD have opened this morning at 0.6425 and 0.6860 against the USD.

Guy Debelle, Deputy Governor of the RBA, speaking in his role as head of the Global Foreign Exchange Committee warned that even though volatility has subsided, liquidity in G10 currencies has only returned to “around 80% of where it was. Liquidity is decent but it’s not completely back.”

On the USD, he added, “the demand for the US dollar was also less universal than perceived during the crisis. Markets like Australia and Canada showing little evidence of a shortage.”

United States of the most infected

As global COVID-19 cases top 10 million, US Centre for Disease Control Director, Robert Ray Redfield Jr, has stated that the total number cases in the US is around 23 million, 10 times current estimates, as “our best estimate right now is that for every case that’s reported, there actually are 10 other infections.” Redfield estimates that 92-95% of the US population is still susceptible to the virus, but not according to a certain Mr Trump, who stated the “economy is roaring back and will not be shut down,” adamant that the pandemic is under control. The real takeaway here is that there won’t be any further lockdowns while he’s in charge!

The NZ Treasury has scaled back their unemployment forecast projecting the rate will rise to 9%, from 10%, and June consumer confidence increased 7.4% into positive territory at 104.5. This follows on from the 14.7% gain in May to 97.3.

Fact of the day; The GAP store share price rose 18% on Friday night after it was announced that Kanye West was going to design a clothing line for them.

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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	0.8785	0.9391
NZD/USD	0.6418	0.0000	-0.0002	-0.0005	-0.0011	CHF	0.6078	0.6497
NZD/AUD	0.9355	-0.0001	-0.0004	-0.0008	-0.0010	CNY	4.5463	4.8600
NZD/JPY	68.73	-0.03	-0.11	-0.25	-0.57	DKK	4.2610	4.5550
NZD/EUR	0.5718	-0.0004	-0.0013	-0.0028	-0.0059	FJD	1.3982	1.4947
NZD/GBP	0.5205	-0.0001	-0.0004	-0.0009	-0.0018	HKD	4.9735	5.3166
						KRW	773.43	826.80
AU TWI	60.10					MYR	2.7647	2.9555
AUD/USD	0.6860	0.0001	0.0001	0.0000	-0.0004	NOK	6.2134	6.6422
AUD/NZD	1.0690	0.0001	0.0005	0.0009	0.0012	SEK	5.9888	6.4021
AUD/JPY	73.48	-0.02	-0.08	-0.20	-0.53	SGD	0.8936	0.9553
AUD/EUR	0.6112	-0.0004	-0.0012	-0.0025	-0.0056	TWD	18.96	20.27
AUD/GBP	0.5560	-0.0001	-0.0002	-0.0005	-0.0013	ZAR	11.0991	11.8650
USD Index	97.43							
EUR/USD	1.1224	0.0008	0.0023	0.0047	0.0098	EQUITIES		
USD/JPY	107.12	-0.05	-0.14	-0.30	-0.72			Index
GBP/USD	1.2339	0.0002	0.0006	0.0011	0.0022	NZX50		11,129
EUR/GBP	0.9096	0.0004	0.0014	0.0030	0.0063	ASX200		5,904
						Dow Jones		25,016
						S&P 500		3,009
						FTSE100		6,159
						DAX 30		12,089
						Nikkei		22,512
						COMMODITIES		
								USD
						Dubai Light		41.18
						Brent Crude		41.02
						Gold		1,769.64
						Silver		17.78
						CRB Index		142.74
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%	0.23%	0.19%			
1 year swap*		0.27%	0.23%	0.16%	0.14%			
2 year swap*		0.23%	0.20%	0.20%	0.18%			
3 year swap*		0.25%	0.22%	0.24%	0.23%			
5 year swap*		0.38%	0.35%	0.43%	0.41%			
10 year swap*		0.78%	0.75%	0.85%	0.83%			
10 year Govt bond			0.92%		0.87%			

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

SOURCE: Bloomberg

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