



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Wednesday 3 June 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6361	-0.0007
NZD/AUD	0.9234	-0.0009
NZD/JPY	69.11	-0.29
NZD/EUR	0.5697	-0.0029
NZD/GBP	0.5071	-0.0010
NZD/CNH	4.5223	0.0370
AUD/USD	0.6889	-0.0001
AUD/EUR	0.6170	-0.0026
EUR/USD	1.1166	0.0045
USD/CNH	7.1227	0.0664
GBP/USD	1.2542	0.0009
EUR/GBP	0.8902	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.26%	0.10%
2 year swap	0.22%	0.21%
10 year Govt	0.85%	0.91%

Trump trying to appear tough

In a statement on the White House lawn, President Trump came out talking tough. He started by announcing he would “*deploy active duty military personnel to US cities, if cities and states won’t act,*” adding he would “*deploy thousands of military and civilian police to stop the rioting,*” before advising the state Governors that “*it is time to dominate the streets.*” The President then (allegedly) returned to the White House bunker.

President Trump’s speech hasn’t created the desired sense of calm, and the democrats are seizing the opportunity

to press their leadership claims, with Joe Biden stating “*no President will quiet our voice,*” while Nancy Pelosi called President Trump a “*fanner of the flame of division.*”

While one may anticipate market weakness in times of civil unrest, equities continue to grind higher, with most indices hitting 10-12 week highs. This saw the NZD/USD and AUD/USD continue their rallies, to 0.6360 and 0.6890 respectively, with the AUD/USD at its highest level since January. Overall, not too bad considering the building tensions between US and China, and continuing protests in the US.

As always though, there are contradictions. In a sign of market recovery, the US IPO market has sparked to life after months of relative quiet, with Warner Music and ZoomInfo looking to list. Conversely, Wells Fargo is hitting the brakes on one of their biggest books, their auto loan business, as concerns grow regarding a potential wave of defaults.

Looking at the data prints over the last 24 hours, the New York ISM Business Conditions index modestly increased in May to 19.5, from a record low of 4.3 in April. While it still points to a sharp deterioration in NY business conditions, the report noted some improvement in the purchasing managers component.

NZ’s Q1 terms of trade index contracted -0.7% on a quarterly basis against an expected increase of +1.5%. From a historical perspective, NZ has seen worse,

although it does highlight how our export prices have compressed -0.2%, while the import products we desire increased +0.5%.

And last night’s GDT dairy auction highlighted a similar story, with the overall index up an extremely modest 0.1%. On the positive side, whole milk powder rose a supportive 2.1%, but here’s a strange one, butter fell 4.4% as butter milk powder rose 9.4%!

In a ‘what’s going on here moment’, the UK Times has reported in Brexit negotiations that Britain is prepared to compromise on fisheries and “*level the playing field*” on trade rules should the EU back off from their “*maximalist*” demands on regulatory alignment and fishing access. Perhaps the UK’s deteriorating economic outlook is allowing for a more ‘compromising’ Brexit approach.

RBA in for the long haul

In Australia, the RBA left both their target cash rate and 3 year yield target rates unchanged at 0.25%, as expected. The RBA highlighted that they won’t raise interest rates until progress has been made on unemployment and they are confident they can sustainably hit their CPI target. In the interim, their accommodative approach will be maintained for as long as is needed, and they are prepared to scale up asset purchases if necessary.

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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	70.94					CAD	0.8604 0.9318
NZD/USD	0.6361	-0.0001	-0.0003	-0.0007	-0.0014	CHF	0.6122 0.6630
NZD/AUD	0.9234	-0.0002	-0.0005	-0.0009	-0.0014	CNY	4.5169 4.8919
NZD/JPY	69.11	-0.04	-0.14	-0.29	-0.64	DKK	4.2462 4.5986
NZD/EUR	0.5697	-0.0005	-0.0015	-0.0029	-0.0061	FJD	1.3967 1.5126
NZD/GBP	0.5071	-0.0002	-0.0005	-0.0010	-0.0019	HKD	4.9301 5.3393
						KRW	776.28 840.72
AU TWI	59.80					MYR	2.6947 2.9183
AUD/USD	0.6889	0.0000	0.0000	-0.0001	-0.0005	NOK	6.0788 6.5834
AUD/NZD	1.0830	0.0002	0.0006	0.0011	0.0017	SEK	5.9415 6.4347
AUD/JPY	74.86	-0.04	-0.11	-0.23	-0.58	SGD	0.8909 0.9648
AUD/EUR	0.6170	-0.0004	-0.0012	-0.0026	-0.0057	TWD	19.06 20.65
AUD/GBP	0.5493	-0.0001	-0.0002	-0.0005	-0.0013	ZAR	10.9197 11.8262
USD Index	97.72						
EUR/USD	1.1166	0.0008	0.0023	0.0045	0.0096	EQUITIES	
USD/JPY	108.67	-0.06	-0.16	-0.33	-0.77		Index
GBP/USD	1.2542	0.0002	0.0005	0.0009	0.0020	NZX50	11,034
EUR/GBP	0.8902	0.0005	0.0014	0.0029	0.0062	ASX200	5,835
						Dow Jones	25,701
						S&P 500	3,065
						FTSE100	6,220
						DAX 30	12,021
						Nikkei	22,326
						COMMODITIES	
							USD
						Dubai Light	39.21
						Brent Crude	39.65
						Gold	1,726.94
						Silver	18.03
						CRB Index	142.41

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.30%	0.27%	0.09%	0.09%
90 day bank bills	0.29%	0.26%	0.12%	0.08%
FRA 90d in 3mths	0.29%	0.26%	0.18%	0.13%
FRA 180d in 6mths	0.25%	0.22%	0.26%	0.22%
1 year swap*	0.26%	0.23%	0.18%	0.15%
2 year swap*	0.24%	0.21%	0.22%	0.20%
3 year swap*	0.26%	0.23%	0.27%	0.25%
5 year swap*	0.37%	0.34%	0.47%	0.45%
10 year swap*	0.76%	0.74%	0.90%	0.89%
10 year Govt bond		0.83%		0.91%

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

SOURCE: Bloomberg

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