



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Tuesday 30 June 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6420	-0.0004
NZD/AUD	0.9353	-0.0007
NZD/JPY	69.09	-0.29
NZD/EUR	0.5714	-0.0030
NZD/GBP	0.5222	-0.0010
NZD/CNH	4.5442	0.0389
AUD/USD	0.6865	0.0000
AUD/EUR	0.6109	-0.0027
EUR/USD	1.1237	0.0051
USD/CNH	7.1227	0.0653
GBP/USD	1.2293	0.0015
EUR/GBP	0.9141	0.0031

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.31%	0.11%
2 year swap	0.21%	0.19%
10 year Govt	0.91%	0.88%

## Will the Fed change track?

Rumour has it the Fed has been watching the RBA and is considering a 'new monetary policy tool' to help hold down interest rates by utilising 'targeted yield caps'. Nope, we've never heard of that term either. Simply, the Fed is considering targeting a specific yield on a specific part of the yield curve. The main benefit of this strategy is that the relevant central bank gets its desired outcome via a lower dollar spend, thereby lowering the physical impact upon their balance sheet.

The Fed has also been re-thinking its corporate bond buying program.

By all accounts, it's turning into a public relations nightmare after they bought bonds from cigarette-maker Phillip Morris at 0.55%. With low volumes, the programme hasn't been successful and has not made any difference at all. Maybe they should buy some Wirecard or WeWork bonds?

Chinese biopharmaceutical firm CanSino Biologics Inc, in conjunction with the Chinese military, have developed a COVID-19 vaccine. Following successful phase 1 and phase 2 clinical trials, it's now being tested on Chinese military personnel. Three words ... pig, guinea, human.

And speaking of China, the Global Times, the voice piece of the Chinese Government, has come out swinging in a piece on how the US's ineptitude is slowing the global economic recovery, stating, "*Chinese experts noted that the US's irresponsible handling over the pandemic has not only left the epidemic situation uncontrolled on its own soil, but also made it difficult for other countries to solve the crisis.*"

The PBoC has also come out swinging, pledging stronger monetary and fiscal adjustments, and better policy co-ordination and implementation in the battle against the pandemic. The central bank said it will implement multiple monetary policy tools to maintain liquidity, and it will increase the number of smaller company loans.

## Nothing to do with me

In a classic case of, 'nothing to do with me,' the German Federal Constitutional Court has ruled that it's up to Bundesbank to decide whether it participates in ECB's QE bond programme, stating, "*the Bundesbank is bound by our decision, but it must determine on its own responsibility whether the ECB's statement of reasons fulfils our requirements or not.*"

Do you remember inflation? It was quite big in the 1980's! Well, just like a good mullet, it appears to be making a comeback. A UK economic consultancy firm has announced the official UK's CPI numbers are understated by 0.4%, and the reporting is understating the speed at which prices are rising.

Meanwhile, German CPI prices exceed expectations rising 0.6% for the month, as measured by national standards, and 0.7% via EU-harmonized standards. Both figures were above the 0.3% that economists had forecasted. On the year, the numbers were up 0.9% (national) and 0.8% (EU-harmonized), well above forecasts of a 0.5% rise.

After a bumpy start, US indices have spent the balance of the day in positive territory, up 1-2%. Oil also rebounded from a weekly loss, increasing by more than 3%. Surprisingly, the NZD and AUD have little changed despite the rise in equities, currently at 0.6415 and 0.6860 respectively against the USD at the time of writing.

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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	71.46					<b>CAD</b> 0.8782	0.9389
NZD/USD	0.6420	0.0000	-0.0001	-0.0004	-0.0010	<b>CHF</b> 0.6109	0.6532
NZD/AUD	0.9353	-0.0001	-0.0003	-0.0007	-0.0009	<b>CNY</b> 4.5459	4.8606
NZD/JPY	69.09	-0.03	-0.10	-0.29	-0.57	<b>DKK</b> 4.2576	4.5523
NZD/EUR	0.5714	-0.0004	-0.0013	-0.0030	-0.0057	<b>FJD</b> 1.3976	1.4943
NZD/GBP	0.5222	-0.0001	-0.0004	-0.0010	-0.0017	<b>HKD</b> 4.9755	5.3200
						<b>KRW</b> 769.97	823.28
AU TWI	60.10					<b>MYR</b> 2.7579	2.9488
AUD/USD	0.6865	0.0001	0.0001	0.0000	-0.0004	<b>NOK</b> 6.2187	6.6492
AUD/NZD	1.0692	0.0001	0.0004	0.0008	0.0011	<b>SEK</b> 5.9893	6.4039
AUD/JPY	73.87	-0.02	-0.08	-0.26	-0.53	<b>SGD</b> 0.8951	0.9570
AUD/EUR	0.6109	-0.0004	-0.0011	-0.0027	-0.0055	<b>TWD</b> 18.93	20.24
AUD/GBP	0.5584	0.0000	-0.0002	-0.0006	-0.0013	<b>ZAR</b> 11.1003	11.8688
USD Index	97.51						
EUR/USD	1.1237	0.0008	0.0023	0.0051	0.0097	<b>EQUITIES</b>	
USD/JPY	107.62	-0.04	-0.14	-0.38	-0.72		<b>Index</b>
GBP/USD	1.2293	0.0002	0.0006	0.0015	0.0022	<b>NZX50</b>	11,253
EUR/GBP	0.9141	0.0005	0.0014	0.0031	0.0062	<b>ASX200</b>	5,815
						<b>Dow Jones</b>	25,595
						<b>S&amp;P 500</b>	3,040
						<b>FTSE100</b>	6,226
						<b>DAX 30</b>	12,232
						<b>Nikkei</b>	21,995
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	39.91
						<b>Brent Crude</b>	41.48
						<b>Gold</b>	1,770.94
						<b>Silver</b>	17.83
						<b>CRB Index</b>	145.53
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>			
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>		
30 day bank bills		0.29%	0.25%	0.09%	0.09%		
90 day bank bills		0.33%	0.29%	0.13%	0.09%		
FRA 90d in 3mths		0.28%	0.25%	0.17%	0.12%		
FRA 180d in 6mths		0.19%	0.16%	0.22%	0.18%		
1 year swap*		0.25%	0.23%	0.15%	0.14%		
2 year swap*		0.22%	0.20%	0.20%	0.17%		
3 year swap*		0.24%	0.22%	0.24%	0.23%		
5 year swap*		0.36%	0.33%	0.43%	0.41%		
10 year swap*		0.75%	0.72%	0.85%	0.83%		
10 year Govt bond			0.89%		0.88%		

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