



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Thursday 4 June 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6430	-0.0007
NZD/AUD	0.9282	-0.0008
NZD/JPY	70.04	-0.30
NZD/EUR	0.5721	-0.0030
NZD/GBP	0.5111	-0.0010
NZD/CNH	4.5779	0.0359
AUD/USD	0.6928	-0.0001
AUD/EUR	0.6164	-0.0027
EUR/USD	1.1239	0.0047
USD/CNH	7.1227	0.0637
GBP/USD	1.2581	0.0010
EUR/GBP	0.8933	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.26%	0.10%
2 year swap	0.23%	0.22%
10 year Govt	0.90%	0.97%

A rising tide

The USD is weaker across the board with the main beneficiary being the AUD. There are a number of factors supporting the AUD ... equity markets, iron ore above USD100 a tonne, a current account surplus, the scale of fiscal stimulus and the RBA's impressive monetary performance. And, as the saying goes, a strong AUD tide has lifted all boats, including the NZD.

This has seen the NZD and AUD break into new, higher ranges, to be trading at 0.6435 and 0.6930 respectively against the USD.

This strength was also reflected on the crosses with NZD/JPY trading at 70.05 and NZD/GBP returning to 0.5110. The one saving grace has been NZD/AUD which is below the 0.9300 level at 0.9285.

We have also seen strong selling in the fixed income markets with the US 10 year Treasury yield busting past the 0.70% level to close at 0.76%, and, as one would expect, equity markets have continued their daily grind with most indices up 2-4%. Like all rising 'risk' currencies, the question becomes ... is this strength really a reflection of the underlying domestic fundamentals? And how long will it be before the relevant central banks start to act?

Ultimately though, with the global economy expected to remain tepid in the second half of 2020, and company earnings expected to be woeful in Q3 and Q4, global investor sentiment should wane at some point.

Better data

In terms of data, yesterday we had Australia Q1 GDP, which came in slightly better than anticipated at -0.3% rather than the expected -0.4%. On an annualised basis, GDP came in at 1.4%, down from the prior 2.2% print. After the numbers the Treasurer of Australia, Josh Frydenberg, stated that the government's measures against the COVID-19 outbreak have hit the

economy hard and have come at a cost ... and that cost will be christened: "recession"!

In the US we had the ADP employment numbers, a pre-cursor to Friday's night's official non-farm data. During the month of May, 'only' 2.75 million workers lost their jobs within the private business sector. This number was much better than the forecast of 9 million and is a significant improvement on April's 19.56 million of losses. The biggest job loss sector was transport and utilities with over 800 thousand jobs lost.

We also had US ISM non-manufacturing PMIs increase to 45.4 in May, slightly up from the expected at 44.0 and stronger than the previous month's 41.8.

In the world of trade wars, we've seen a subliminal escalation following the Chinese government's announcement that state owned agri companies would diversify away from US suppliers.

So far, we've seen the US government halt Chinese airlines' access to US airports, UK Prime Minister, Boris Johnson, offer a path to residency for up to 3 million HK residents, and the UK government re-open 5G talks with Japanese company NEC as it looks to diversify away from Huawei.

Finally, in Brexit news, Nissan says the UK's largest car manufacturing plant is "unsustainable" if the UK leaves the European Union without a trade deal.



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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	71.57					CAD	0.8678	0.9349
NZD/USD	0.6430	-0.0001	-0.0003	-0.0007	-0.0012	CHF	0.6183	0.6662
NZD/AUD	0.9282	-0.0002	-0.0005	-0.0008	-0.0011	CNY	4.5739	4.9279
NZD/JPY	70.04	-0.05	-0.15	-0.30	-0.64	DKK	4.2646	4.5947
NZD/EUR	0.5721	-0.0005	-0.0015	-0.0030	-0.0060	FJD	1.4031	1.5117
NZD/GBP	0.5111	-0.0002	-0.0005	-0.0010	-0.0019	HKD	4.9830	5.3687
						KRW	781.97	842.51
AU TWI	60.90					MYR	2.7242	2.9350
AUD/USD	0.6928	0.0000	0.0000	-0.0001	-0.0005	NOK	6.0748	6.5450
AUD/NZD	1.0774	0.0002	0.0006	0.0010	0.0013	SEK	5.9655	6.4272
AUD/JPY	75.46	-0.04	-0.12	-0.25	-0.60	SGD	0.8985	0.9681
AUD/EUR	0.6164	-0.0004	-0.0013	-0.0027	-0.0058	TWD	19.22	20.71
AUD/GBP	0.5506	-0.0001	-0.0003	-0.0006	-0.0013	ZAR	10.8908	11.7338
USD Index	97.26							
EUR/USD	1.1239	0.0008	0.0024	0.0047	0.0098	EQUITIES		
USD/JPY	108.94	-0.06	-0.17	-0.34	-0.79			Index
GBP/USD	1.2581	0.0002	0.0006	0.0010	0.0022	NZX50		11,118
EUR/GBP	0.8933	0.0005	0.0015	0.0030	0.0062	ASX200		5,942
						Dow Jones		26,270
						S&P 500		3,127
						FTSE100		6,382
						DAX 30		12,487
						Nikkei		22,614
						COMMODITIES		
								USD
						Dubai Light		39.54
						Brent Crude		39.47
						Gold		1,697.13
						Silver		17.67
						CRB Index		143.36

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	0.28%	0.24%	0.12%	0.08%
FRA 90d in 3mths	0.29%	0.25%	0.20%	0.15%
FRA 180d in 6mths	0.26%	0.23%	0.28%	0.24%
1 year swap*	0.26%	0.22%	0.18%	0.17%
2 year swap*	0.24%	0.21%	0.23%	0.22%
3 year swap*	0.26%	0.23%	0.29%	0.28%
5 year swap*	0.39%	0.36%	0.49%	0.48%
10 year swap*	0.82%	0.79%	0.99%	0.97%
10 year Govt bond		0.88%		0.97%

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

SOURCE: Bloomberg

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