



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 5 June 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6452	-0.0008
NZD/AUD	0.9308	-0.0009
NZD/JPY	70.42	-0.30
NZD/EUR	0.5693	-0.0030
NZD/GBP	0.5122	-0.0010
NZD/CNH	4.5875	0.0386
AUD/USD	0.6931	-0.0001
AUD/EUR	0.6115	-0.0026
EUR/USD	1.1335	0.0046
USD/CNH	7.1227	0.0682
GBP/USD	1.2597	0.0010
EUR/GBP	0.8998	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	0.92%	1.02%

Action has been taken

Ms Lagarde summed it up best when she said, *“action has been taken,”* and the ECB has definitely done that expanding its pandemic emergency purchase programme (“PEPP”) by EUR600 billion, bringing the total stimulus to EUR1.35 trillion. As she, *“improvement so far has been tepid,”* this move aims to mitigate the negative impact of the COVID-19 crisis and create fiscal room for governments to support their economies.

While the ECB left all of their interest rates unchanged, the Main Refinancing Operations rate that banks can tap into for one-week was left at 0.00%, the

overnight liquidity rate remains fixed at 0.25%, while the Deposit Facility Rate is still at -0.50%. Investors were hoping that the ECB would announce an expansion of its bond-buying programme to include junk-rated bonds, but it was not to be.

The ECB’s announcement followed on from Chancellor Angela Merkel’s announcement (did you know she’s been the Chancellor since 2005) of a separate German stimulus package worth EUR130 billion. The package includes a lower VAT rate to help boost consumption, a EUR300 bonus payment per child and EUR25 billion in credit lines for those businesses most hit by the pandemic.

The US once again saw a large number headline number for initial jobless claims, with 1.877 million signing on this week, but the falling trend remains in place. This lifted the total number of claims since 21 March to 42.6 million. Continuing claims headlined higher at 21.487 million, while the expectation was for 20 million.

US exports and imports both posted their largest monthly decreases on record with the headline balance coming out at -USD49.4 billion for April.

The NZD/USD and AUD/USD are consolidating in the higher ranges at 0.6455 and 0.6936 respectively. Equities are flat lining at the time of writing, cementing their recent gains, while Treasury yields continued their recent

rally with the 10-year yield at 0.81%.

The US has earmarked another four state-run Chinese media outlets as foreign embassies, thereby restricting their operations on US soil. This follows on from five Chinese entities being placed under the same restrictions in February.

President Trump has also been talking the US economy up stating it, *“will be even better with a little time,”* and that, *“mind boggling economic numbers (are) coming in the fall”*. He then added, *“we need healing but also strength and toughness.”*

After miss-calculating their wage support programme by AUD60 billion, the Australian government has just announced another round of fiscal stimulus, announcing a ‘meagre’ AUD688 million for their construction sector. The package incorporates an AUD25K grant for new home building or homeowners’ renovations, although we’re not sure if this is for the building industry or the home improvement TV market!

In a warning for British bankers’ the BoE Governor, Andrew Bailey, has told banks to step up plans for the UK to leave the EU without a trade deal stating, *“the possibility that negotiations between the UK and EU over a future trading relationship might not conclude in a deal is one of a number of outcomes that UK banks need to prepare for.”*

Don’t forget, we have non-farm payroll numbers tonight.

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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	71.79					CAD	0.8719 0.9367
NZD/USD	0.6452	-0.0001	-0.0004	-0.0008	-0.0014	CHF	0.6165 0.6623
NZD/AUD	0.9308	-0.0001	-0.0005	-0.0009	-0.0013	CNY	4.5892 4.9304
NZD/JPY	70.42	-0.05	-0.15	-0.30	-0.66	DKK	4.2452 4.5608
NZD/EUR	0.5693	-0.0005	-0.0015	-0.0030	-0.0061	FJD	1.4042 1.5086
NZD/GBP	0.5122	-0.0002	-0.0005	-0.0010	-0.0019	HKD	5.0012 5.3730
						KRW	785.60 844.01
AU TWI	60.60					MYR	2.7449 2.9489
AUD/USD	0.6931	0.0000	0.0000	-0.0001	-0.0005	NOK	6.0386 6.4875
AUD/NZD	1.0743	0.0002	0.0006	0.0010	0.0015	SEK	5.9351 6.3763
AUD/JPY	75.64	-0.04	-0.12	-0.25	-0.60	SGD	0.9026 0.9696
AUD/EUR	0.6115	-0.0004	-0.0013	-0.0026	-0.0057	TWD	19.30 20.74
AUD/GBP	0.5502	-0.0001	-0.0003	-0.0006	-0.0013	ZAR	10.9132 11.7245
USD Index	96.78						
EUR/USD	1.1335	0.0008	0.0023	0.0046	0.0098	EQUITIES	
USD/JPY	109.15	-0.06	-0.17	-0.34	-0.79		Index
GBP/USD	1.2597	0.0002	0.0006	0.0010	0.0021	NZX50	11,223
EUR/GBP	0.8998	0.0004	0.0014	0.0030	0.0063	ASX200	5,992
						Dow Jones	26,201
						S&P 500	3,105
						FTSE100	6,341
						DAX 30	12,431
						Nikkei	22,696
						COMMODITIES	
							USD
						Dubai Light	38.37
						Brent Crude	39.76
						Gold	1,716.30
						Silver	17.74
						CRB Index	144.14

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	0.30%	0.27%	0.20%	0.15%
FRA 180d in 6mths	0.27%	0.24%	0.27%	0.23%
1 year swap*	0.26%	0.23%	0.18%	0.17%
2 year swap*	0.24%	0.21%	0.23%	0.22%
3 year swap*	0.27%	0.24%	0.29%	0.28%
5 year swap*	0.40%	0.37%	0.52%	0.51%
10 year swap*	0.84%	0.81%	1.05%	1.04%
10 year Govt bond		0.91%		1.02%

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

SOURCE: Bloomberg

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