



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 8 June 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6501	-0.0008
NZD/AUD	0.9332	-0.0009
NZD/JPY	71.24	-0.30
NZD/EUR	0.5754	-0.0030
NZD/GBP	0.5123	-0.0010
NZD/CNH	4.5966	0.0354
AUD/USD	0.6967	-0.0001
AUD/EUR	0.6167	-0.0027
EUR/USD	1.1296	0.0047
USD/CNH	7.1227	0.0628
GBP/USD	1.2688	0.0010
EUR/GBP	0.8903	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.26%	0.10%
2 year swap	0.25%	0.23%
10 year Govt	0.98%	1.09%

A shock to end all shocks

No-one saw this coming ... Friday night's non-farm payrolls recorded employment rising 2.5 million in May with the unemployment rate declining to 13.3%. With economists forecasting employment to fall 7.5 million and the unemployment rate to increase to 19.0%, this number took everyone by surprise!

While we can always debate the ability of the US Labour Department to efficiently process unemployment claims, and the US Bureau of Labour Statistic's ability to collaborate the numbers, we were warned by President Trump no less, when he stated last week that, "*mind boggling economic numbers (are) coming!*"

Interestingly, the jump in employment almost perfectly mirrored the 2.7 million decrease of workers who had reported being temporarily laid-off, and while economists had expressed doubts as to whether these workers would revert to the workforce or convert to permanently unemployed, it appears that 78% of the temporarily unemployed have returned to work. With almost half of the jobs gained in the leisure and hospitality sectors, it does highlight the re-opening of the US economy.

And the markets loved this number. US stock markets had another stellar session rallying 2-3%, and treasury yields continue their reversal with the US 10 year yield now at 0.91%. Surprisingly, the NZD and AUD lost some of their recent momentum, stagnating at the 0.6505 and 0.6970 levels against the USD, while the NZD/AUD cross has recovered some ground to be at 0.9335.

As economies start to build momentum

China recorded a sharply expanding trade surplus of USD62.93 billion, way above market expectations of USD39 billion. It was the largest trade surplus since the series began in January 1981, as imports plummeted amid growing tensions with the US.

As highlighted when Hong Kong's Financial Secretary, Paul Chan Mo-Po, announced that China is ready to defend the HK dollar peg system, and that the market still has confidence in the HK dollar. He then stated that he is not

worried about US sanctions, and that the reaction in Hong Kong to the new security law has been positive.

Australia's AIG services PMI for May printed at 31.6. It was an improvement on April's 27.1, but still a deep contraction.

NZ Finance Minister, Grant Robertson, announced the Government will extend the COVID-19 support schemes for businesses by lowering the required revenue drop threshold from 50% to 40%. This will see an additional 40,000 businesses eligible for the financial support. To date, the scheme has paid out NZD10.997 billion, covering 1.66 million jobs.

OPEC producers and their allies have agreed to maintain their 9.7 million barrels per day production cuts for an additional month following the recovery in the price of oil. In April members had agreed to maintain the cuts from May until June to balance output against consumption.

Japanese household spending fell -11.1% on an annualised basis in April. This was better than the projected -12.8% but maintained the downward trajectory from March's -6.0%.

This week we have the Fed's policy meeting and European finance ministers holding (yet another) call to debate policy measures to support the bloc's recovery. Economic data highlights include US consumer sentiment and inflation, UK GDP, Eurozone and Japanese Q1 GDP, Chinese inflation, and, Australian business and consumer sentiment.

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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	72.13					CAD	0.8734 0.9359
NZD/USD	0.6501	-0.0001	-0.0004	-0.0008	-0.0013	CHF	0.6251 0.6699
NZD/AUD	0.9332	-0.0002	-0.0005	-0.0009	-0.0013	CNY	4.6093 4.9395
NZD/JPY	71.24	-0.05	-0.14	-0.30	-0.66	DKK	4.2910 4.5983
NZD/EUR	0.5754	-0.0005	-0.0015	-0.0030	-0.0061	FJD	1.4107 1.5117
NZD/GBP	0.5123	-0.0001	-0.0005	-0.0010	-0.0019	HKD	5.0384 5.3993
						KRW	782.27 838.31
AU TWI	61.20					MYR	2.7735 2.9722
AUD/USD	0.6967	0.0000	0.0000	-0.0001	-0.0005	NOK	6.0476 6.4808
AUD/NZD	1.0716	0.0002	0.0006	0.0010	0.0015	SEK	5.9707 6.3984
AUD/JPY	76.36	-0.04	-0.11	-0.25	-0.60	SGD	0.9060 0.9709
AUD/EUR	0.6167	-0.0004	-0.0013	-0.0027	-0.0057	TWD	19.38 20.77
AUD/GBP	0.5491	-0.0001	-0.0002	-0.0005	-0.0013	ZAR	10.9199 11.7021
USD Index	96.94						
EUR/USD	1.1296	0.0008	0.0023	0.0047	0.0098	EQUITIES	
USD/JPY	109.61	-0.06	-0.16	-0.33	-0.79		Index
GBP/USD	1.2688	0.0002	0.0005	0.0010	0.0021	NZX50	11,172
EUR/GBP	0.8903	0.0005	0.0015	0.0030	0.0063	ASX200	5,999
						Dow Jones	27,111
						S&P 500	3,194
						FTSE100	6,484
						DAX 30	12,848
						Nikkei	22,864
						COMMODITIES	
							USD
						Dubai Light	40.52
						Brent Crude	42.30
						Gold	1,683.93
						Silver	17.38
						CRB Index	147.57
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%	0.25%	0.21%	0.16%		
FRA 180d in 6mths		0.27%	0.24%	0.28%	0.24%		
1 year swap*		0.27%	0.24%	0.18%	0.17%		
2 year swap*		0.26%	0.23%	0.23%	0.22%		
3 year swap*		0.30%	0.27%	0.29%	0.28%		
5 year swap*		0.44%	0.40%	0.54%	0.53%		
10 year swap*		0.88%	0.85%	1.11%	1.10%		
10 year Govt bond			0.96%		1.09%		

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

SOURCE: Bloomberg

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