



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 9 June 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6565	-0.0007
NZD/AUD	0.9346	-0.0009
NZD/JPY	71.13	-0.30
NZD/EUR	0.5812	-0.0030
NZD/GBP	0.5156	-0.0010
NZD/CNH	4.6310	0.0326
AUD/USD	0.7025	-0.0001
AUD/EUR	0.6219	-0.0027
EUR/USD	1.1296	0.0047
USD/CNH	7.1227	0.0572
GBP/USD	1.2732	0.0011
EUR/GBP	0.8872	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.26%	0.10%
2 year swap	0.26%	0.23%
10 year Govt	1.01%	1.09%

Let's party like it's COVID-1999

According to the international press, New Zealand has eliminated the COVID-19 virus and we are (almost) back to 'normal'. And, in a world first, Dunedin will host the first professional game of sport before a live audience, and with those university students back down south, it's bound to be a full house!

USA is in a recession

According to the US National Bureau of Economic Research ("NBER"), who determines 'official' recessions. Overnight it announced, *"the committee recognizes that the pandemic and the public health*

response have resulted in a downturn with different characteristics and dynamics than prior recessions. Nevertheless, it concluded that the unprecedented magnitude of the decline in employment and production, and its broad reach across the entire economy, warrants the designation of this episode as a recession, even if it turns out to be briefer than earlier contractions." This brought to an end an unprecedented 128-month expansion, the longest in post World War II history.

Generally, recessions are thought to entail two consecutive quarters of negative GDP growth, however, that isn't always the case, and it's generally the NBER's decision to determine recessions.

Meanwhile, in the US, expect to see an escalation in rhetoric between the President and the Republicans after Senate Majority Leader, Mitch McConnell, met with White House officials and told them the bill on the next round of stimulus would 'only' be for USD1.0 trillion.

The Democrats have already submitted a USD3.5 trillion stimulus bill, and with the election rapidly approaching, a certain Mr Trump will want to be seen 'flashing the cash.'

The World Bank has revised its economic forecasts and estimated global economic output will fall -5.2% in 2020, down from its January forecast of +2.5%. On a per capita GDP basis, the 2020 recession will be deepest since 1945-46 global contraction post WWII.

ECB President, Christine Lagarde, announced that the ECB is determined and ready to adjust all of its instruments, as appropriate to support the economy, but warned the EU to pass their long-term budget to shore up confidence. On a positive note, Ms Lagarde is confident a 'good solution' will be found regarding the German court ruling on the Bundesbank.

Germany's industrial production slumped by 17.9% in April, the steepest decline ever, and much worse than market expectations of 16.8%.

While the overall trend in news incorporated a negative tone, US stocks maintained their positive bias hitting a 15-week high on the broad theme of 'economic optimism' as global economies begin to open up.

In fact, the S&P500 is now flat for the year. The dollar fell for an eighth straight day, down to pre COVID-19 levels, which saw the NZD and AUD consolidate respectively at 0.6565 and 0.7030 against the USD.

Interestingly though, with equity and 'risk' currencies gaining, US treasury yields gave up some of their recent gains with the US 10-year yield falling to 0.88%. Oil also decreased 3.2% as WTI fell to USD38.27 a barrel.

With financial markets in a buoyant mood, focus will now shift to the Fed meeting which is scheduled for Thursday morning NZ time.

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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	72.58					CAD 0.8775	0.9389
NZD/USD	0.6565	-0.0001	-0.0003	-0.0007	-0.0013	CHF 0.6283	0.6723
NZD/AUD	0.9346	-0.0001	-0.0005	-0.0009	-0.0013	CNY 4.6419	4.9670
NZD/JPY	71.13	-0.05	-0.14	-0.30	-0.66	DKK 4.3326	4.6360
NZD/EUR	0.5812	-0.0005	-0.0015	-0.0030	-0.0062	FJD 1.4204	1.5199
NZD/GBP	0.5156	-0.0002	-0.0005	-0.0010	-0.0019	HKD 5.0873	5.4436
						KRW 784.32	839.24
AU TWI	61.20					MYR 2.7884	2.9837
AUD/USD	0.7025	0.0000	0.0000	-0.0001	-0.0004	NOK 6.0796	6.5053
AUD/NZD	1.0700	0.0002	0.0005	0.0010	0.0014	SEK 6.0382	6.4610
AUD/JPY	76.12	-0.04	-0.12	-0.25	-0.61	SGD 0.9110	0.9748
AUD/EUR	0.6219	-0.0004	-0.0013	-0.0027	-0.0058	TWD 19.54	20.91
AUD/GBP	0.5517	-0.0001	-0.0003	-0.0005	-0.0013	ZAR 10.9549	11.7221
USD Index	96.64						
EUR/USD	1.1296	0.0008	0.0024	0.0047	0.0100	EQUITIES	
USD/JPY	108.37	-0.06	-0.17	-0.34	-0.80		Index
GBP/USD	1.2732	0.0002	0.0006	0.0011	0.0022	NZX50	11,524
EUR/GBP	0.8872	0.0005	0.0014	0.0030	0.0063	ASX200	5,999
						Dow Jones	27,572
						S&P 500	3,230
						FTSE100	6,473
						DAX 30	12,820
						Nikkei	23,178
						COMMODITIES	
							USD
						Dubai Light	42.39
						Brent Crude	40.83
						Gold	1,698.35
						Silver	17.77
						CRB Index	146.01

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	0.32%	0.24%	0.21%	0.16%
FRA 180d in 6mths	0.28%	0.25%	0.28%	0.24%
1 year swap*	0.27%	0.24%	0.18%	0.17%
2 year swap*	0.27%	0.24%	0.23%	0.22%
3 year swap*	0.31%	0.28%	0.29%	0.28%
5 year swap*	0.47%	0.43%	0.53%	0.52%
10 year swap*	0.93%	0.89%	1.06%	1.06%
10 year Govt bond		0.99%		1.09%

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

SOURCE: Bloomberg

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