



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Thursday 2 July 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6479	-0.0004
NZD/AUD	0.9369	-0.0007
NZD/JPY	69.63	-0.28
NZD/EUR	0.5757	-0.0029
NZD/GBP	0.5193	-0.0009
NZD/CNH	4.5792	0.0406
AUD/USD	0.6916	0.0001
AUD/EUR	0.6146	-0.0026
EUR/USD	1.1252	0.0051
USD/CNH	7.1227	0.0668
GBP/USD	1.2477	0.0015
EUR/GBP	0.9018	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.11%
2 year swap	0.22%	0.19%
10 year Govt	0.98%	0.94%

Fed yawn fest

The Fed minutes from the June meeting did not throw up anything we didn't already know, that the US economy will need support *"for some time."* However, yield curve control was discussed and policymakers noted that it would be useful for staff to conduct further analysis of the design and implementation of such policies as well as the likely economic and financial effects. Basically, they are thinking about it, and the US yield curve did steepen on the possibility.

Fed's member, Mary Daly, probably summed up the US economy best stating she, *"would be hesitant to call the recent positive signs a recovery."*

Overnight there were a few data releases ... US ADP employment numbers showed 2.4 million private workers were added to the workforce against an expectation of 3 million, while US manufacturing PMI jumped to 52.6 in June from 43.1 in May, easily beating market expectations of 49.5.

Finally, German retail sales surged by 13.9% for the month of May, against an expectation of a 3.9% increase. This was the strongest growth in retail trade since the series began in February 1994.

And speaking of Europe, German foreign minister, Heiko Maas, has announced he is optimistic the EU will reach an agreement on their recovery fund in July. At this rate, the pandemic will be over, I'll be a grandfather, Spurs will have won a trophy, and Mars will have been colonised before the Eurozone actually reaches any sort of agreement! Okay, I exaggerated about the Spurs!

Manufacturing PMI readings for the month came out across Asia, with China's print at 51.2, well above the consensus market expectation of 50.5 and April's reading of 50.7, while Japan's also improved to 40.1 from May's 37.8. The BoJ's tankan report was a damp squid though, marking further consecutive declines across most measures.

In a well telegraphed move, the PBoC announced they will reduce funding costs for smaller firms and their rural sector starting today, before adding that the

Chinese economy is recovering gradually, mainly driven by demand.

Keep it down, it's the riot squad

Police clashed with protesters in Hong Kong as China began enforcing a sweeping security law that has chilling effects on free speech and political activities relating to the nation. The UK has accused Beijing of going back on its promise to preserve Hong Kong's autonomy and has opened a path for 40% of its residents to obtain citizenship in the UK.

In Australia, building approvals for May fell 16.4% for the month (expected -7.8%) while their June manufacturing PMI headline number jumped to 51.5 from May's 41.6. But don't worry, Australian shopping centre visits are at 86% of the level versus the same time as last year ... now the authorities just need to get them to spend some money!

On the first day in the second half of the first year in the second decade of the century, financial markets were quiet. European and US indices were flat, although the Nasdaq continued its stellar performance closing at a record high and up 13% for the year!

The NZD and AUD are trading at 0.6475 and 0.6915 against the USD, and the US 10 year is yielding 0.67%

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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	71.95					CAD	0.8803 0.9396
NZD/USD	0.6479	0.0000	-0.0001	-0.0004	-0.0010	CHF	0.6127 0.6540
NZD/AUD	0.9369	-0.0001	-0.0004	-0.0007	-0.0011	CNY	4.5807 4.8894
NZD/JPY	69.63	-0.03	-0.10	-0.28	-0.56	DKK	4.2906 4.5798
NZD/EUR	0.5757	-0.0004	-0.0013	-0.0029	-0.0058	FJD	1.4080 1.5029
NZD/GBP	0.5193	-0.0001	-0.0004	-0.0009	-0.0018	HKD	5.0212 5.3597
						KRW	778.26 830.72
AU TWI	60.20					MYR	2.7709 2.9576
AUD/USD	0.6916	0.0001	0.0002	0.0001	-0.0002	NOK	6.1698 6.5856
AUD/NZD	1.0674	0.0002	0.0005	0.0008	0.0013	SEK	6.0270 6.4333
AUD/JPY	74.32	-0.02	-0.08	-0.24	-0.51	SGD	0.9032 0.9640
AUD/EUR	0.6146	-0.0003	-0.0011	-0.0026	-0.0055	TWD	19.15 20.44
AUD/GBP	0.5543	0.0000	-0.0001	-0.0006	-0.0012	ZAR	11.0354 11.7792
USD Index	97.12						
EUR/USD	1.1252	0.0008	0.0023	0.0051	0.0098	EQUITIES	
USD/JPY	107.48	-0.04	-0.14	-0.37	-0.70		Index
GBP/USD	1.2477	0.0002	0.0007	0.0015	0.0023	NZX50	11,350
EUR/GBP	0.9018	0.0004	0.0014	0.0030	0.0061	ASX200	5,934
						Dow Jones	25,735
						S&P 500	3,127
						FTSE100	6,158
						DAX 30	12,261
						Nikkei	22,122
						COMMODITIES	
							USD
						Dubai Light	42.15
						Brent Crude	41.97
						Gold	1,771.31
						Silver	18.02
						CRB Index	147.77

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	0.32%	0.28%	0.13%	0.09%
FRA 90d in 3mths	0.29%	0.26%	0.17%	0.12%
FRA 180d in 6mths	0.20%	0.17%	0.22%	0.18%
1 year swap*	0.26%	0.23%	0.15%	0.14%
2 year swap*	0.23%	0.20%	0.20%	0.18%
3 year swap*	0.26%	0.23%	0.24%	0.23%
5 year swap*	0.38%	0.36%	0.45%	0.43%
10 year swap*	0.78%	0.75%	0.91%	0.90%
10 year Govt bond		0.96%		0.94%

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

SOURCE: Bloomberg

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