



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 20 July 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6547	-0.0003
NZD/AUD	0.9369	-0.0008
NZD/JPY	70.13	-0.26
NZD/EUR	0.5735	-0.0027
NZD/GBP	0.5214	-0.0009
NZD/CNH	4.5769	0.0440
AUD/USD	0.6988	0.0002
AUD/EUR	0.6121	-0.0024
EUR/USD	1.1416	0.0049
USD/CNH	7.1227	0.0705
GBP/USD	1.2550	0.0016
EUR/GBP	0.9096	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.11%
2 year swap	0.21%	0.17%
10 year Govt	0.89%	0.87%

There's the money?

With the US Congress due to reopen this week, and 25 million Americans set to lose their USD600 a week unemployment benefits at the end of the month, it's time for politicians to consider another COVID relief bill. But here's the question for politicians: With Federal support costing approximately USD15 billion a week in federal spending, which is being paid on top of the regular state jobless benefits, do Americans actually want to take the pay cut and go back to work?

Meanwhile, EU Finance ministers are struggling to finalise the structure,

size and conditions of their own unprecedented EUR750 billion COVID package. To be fair, it has only taken six weeks so far! The proposed stimulus package is to be a blend of grants and loans, with a suggested EUR500 billion in nonrepayable grants offered to those regions and sectors hit hardest by the pandemic, although Austria, Denmark, Sweden, and the Netherlands have rejected this saying the amount should be cut to around EUR350 billion.

What's the word on CEO street?

JPMorgan Chase's CEO, Jamie Dimon, probably summed it up best when he said, "Nobody knows what comes next!" The range of outcomes for the economy in the second half is incredibly wide with JPMorgan Chase projecting no fewer than five different scenarios the US economy may take. The latest base case scenario has unemployment remaining at 11.0% for the year, 4.3% worse than when it made the same forecast in April.

In its worst case scenario, the virus surges further in the fall forcing another round of widespread shutdowns driving unemployment to 23%!

Shell CEO, Ben van Beurden, said that there will be no V-shaped recovery for the global economy after the COVID pandemic, and that it will curtail oil and gas demand for years to come as, "Energy demand will be lower even when this crisis

is more or less behind us, it will have a permanent knock for years" adding, "it is most likely not going to be a V-shaped recovery. Shell have had to reduce spending sharply, postpone investment, and will continue to do so for some time to come."

In further muddled political messaging, UK Prime Minister, Boris Johnson, announced that it's time to get back the workplace as a return towards normalcy to help the economy recover. Meanwhile, the UK chief scientific adviser, Sir Patrick Vallance, said, "Of the various distancing measures, working from home for many companies remains a perfectly good option." There is "absolutely no reason to change!"

Fonterra cut its 2019/20 milk price forecast to the NZD7.15 midpoint and raised its 2020-21 milk price forecast to NZD6.40 (range 5.90-6.90/kg MS) citing improving market conditions in China. Fonterra will also reduce its 12 month skim milk powder volumes.

NZ June manufacturing has rebounded into expansionary territory at 56.3%. A huge jump, up 16.5 points from May, to record its highest print since April 2018. Meanwhile, the NZ Treasury activity index recorded a modest recovery in June rebounding to -1% on an annualised basis, up from May's -6%. The rebound was led by growth in electronic card spending, heavy traffic movements and manufacturing activity.

On the open, NZD/USD is trading flat to last week's close at 0.6560

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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	72.33					CAD	0.8906 0.9505
NZD/USD	0.6547	0.0000	-0.0001	-0.0003	-0.0008	CHF	0.6158 0.6573
NZD/AUD	0.9369	-0.0001	-0.0004	-0.0008	-0.0010	CNY	4.5845 4.8932
NZD/JPY	70.13	-0.03	-0.09	-0.26	-0.51	DKK	4.2696 4.5571
NZD/EUR	0.5735	-0.0004	-0.0012	-0.0027	-0.0053	FJD	1.4154 1.5108
NZD/GBP	0.5214	-0.0001	-0.0003	-0.0009	-0.0017	HKD	5.0762 5.4180
						KRW	789.39 842.55
AU TWI	60.70					MYR	2.7951 2.9833
AUD/USD	0.6988	0.0001	0.0002	0.0002	-0.0001	NOK	6.0890 6.4990
AUD/NZD	1.0673	0.0001	0.0004	0.0009	0.0011	SEK	5.9251 6.3242
AUD/JPY	74.85	-0.02	-0.07	-0.21	-0.46	SGD	0.9103 0.9716
AUD/EUR	0.6121	-0.0004	-0.0011	-0.0024	-0.0050	TWD	19.36 20.67
AUD/GBP	0.5568	0.0000	-0.0001	-0.0005	-0.0012	ZAR	10.9197 11.6551
USD Index	95.94						
EUR/USD	1.1416	0.0008	0.0023	0.0049	0.0093	EQUITIES	
USD/JPY	107.12	-0.04	-0.13	-0.34	-0.65		Index
GBP/USD	1.2550	0.0002	0.0006	0.0016	0.0025	NZX50	11,584
EUR/GBP	0.9096	0.0005	0.0014	0.0028	0.0055	ASX200	6,034
						Dow Jones	26,672
						S&P 500	3,225
						FTSE100	6,290
						DAX 30	12,920
						Nikkei	22,696
						COMMODITIES	
							USD
						Dubai Light	42.04
						Brent Crude	43.14
						Gold	1,809.09
						Silver	19.29
						CRB Index	149.57

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	0.32%	0.28%	0.13%	0.09%
FRA 90d in 3mths	0.32%	0.24%	0.15%	0.10%
FRA 180d in 6mths	0.21%	0.18%	0.21%	0.17%
1 year swap*	0.26%	0.23%	0.14%	0.12%
2 year swap*	0.22%	0.20%	0.17%	0.16%
3 year swap*	0.23%	0.21%	0.22%	0.20%
5 year swap*	0.34%	0.32%	0.41%	0.39%
10 year swap*	0.71%	0.68%	0.83%	0.81%
10 year Govt bond		0.88%		0.87%

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