



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Tuesday 21 July 2020 | [www.bancorp-treasury.com](http://www.bancorp-treasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6576	-0.0003
NZD/AUD	0.9375	-0.0007
NZD/JPY	70.54	-0.25
NZD/EUR	0.5746	-0.0027
NZD/GBP	0.5196	-0.0009
NZD/CNH	4.5959	0.0444
AUD/USD	0.7015	0.0003
AUD/EUR	0.6130	-0.0024
EUR/USD	1.1445	0.0050
USD/CNH	7.1227	0.0704
GBP/USD	1.2657	0.0016
EUR/GBP	0.9042	0.0028

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.11%
2 year swap	0.21%	0.16%
10 year Govt	0.88%	0.89%

## Don't worry, I've got this!

U.S. President Trump has announced, "Coronavirus is a worldwide problem," and, in what we can only assume is a plan to provide global leadership, he stated he will resume coronavirus briefings starting from tomorrow. Hmm ... horse ... barn door ... bolted!

The Shanghai Composite surged more than 2.5% on Monday, led by financial stocks, after Chinese authorities raised the cap on how much the country's insurers can invest in equity assets, in an attempt to bring more long-term funds into the domestic stock market. The Index is up more than 12% over the month.

According to a recent Deloitte survey, UK firms don't expect business to recover until the second half of 2021, which is probably appropriate considering the BoE's Chief Economist, Andrew Haldane, announced at a reappointment hearing, "If there was a further negative shock to the economy, (we) need to think about further lowering of cost of borrowing." In what was quite a balanced analysis, he then added, while "there are some possible downsides of negative rates, the risks of a low rates are worth taking to keep businesses afloat and workers in jobs. As we recover from the crisis, we need to watch very carefully to ensure low rates don't encourage excessive risk taking."

Following the announcement by UK Chancellor, Rishi Sunak, that he would raise the tax threshold on property purchases 4-fold to GBP500k, the UK housing market appears to be having a mini boom, with prices rising 3.7% on the year.

And speaking of excessive risk taking, the EUR/USD firmed to its highest level in 4 months even though European leaders are in a deadlock over the size and structure of their pandemic stimulus fund. The latest proposal incorporates a split between EUR390 billion in grants and EUR360 billion in loans but is still awaiting consensus among all 27 members.

Australian Treasurer, Josh Frydenberg, announced the Australian federal

government will overhaul its COVID-19 small and medium enterprise guarantee scheme to allow banks to provide low-interest rate loans of up to AUD1 million for terms of up to 5 years (previously it allowed 3 year loans of up to AUD250k). The Morrison government will also extend the JobKeeper and JobSeeker emergency payments for another six months but at reduced amounts.

NZ services PMI for June reverted to expansionary territory, rising to 54.1 from May's 37.2. Given global service PMI's everywhere have been slower to improve than manufacturing PMI's, this makes the NZ result actually quite impressive.

In corporate news, Chevron has announced it will purchase Noble Energy for USD13 billion, Walmart has opened talks to sell a stake in UK grocery chain Asda, and Halliburton will undertake severe cost-cutting action after posting a USD1.7 billion loss.

Markets continue to grind to the right hand side after the Oxford-AstraZeneca COVID vaccine study showed further positive results. Once again, the NASDAQ outperformed as Amazon shares rallied 6%, with all other US and European equity indices up 0-1%. The NZD/USD and AUD/USD tread water at 0.6575 and 0.7015, while the 10 year US Treasury yield remains close to 0.61%.

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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	72.49					<b>CAD</b>	0.8904 0.9498
NZD/USD	0.6576	0.0000	-0.0001	-0.0003	-0.0008	<b>CHF</b>	0.6175 0.6587
NZD/AUD	0.9375	-0.0001	-0.0004	-0.0007	-0.0010	<b>CNY</b>	4.5924 4.8988
NZD/JPY	70.54	-0.03	-0.09	-0.25	-0.50	<b>DKK</b>	4.2780 4.5634
NZD/EUR	0.5746	-0.0004	-0.0012	-0.0027	-0.0053	<b>FJD</b>	1.4172 1.5117
NZD/GBP	0.5196	-0.0001	-0.0003	-0.0009	-0.0016	<b>HKD</b>	5.0976 5.4377
						<b>KRW</b>	789.92 842.63
AU TWI	60.70					<b>MYR</b>	2.7984 2.9851
AUD/USD	0.7015	0.0001	0.0002	0.0003	-0.0001	<b>NOK</b>	6.0685 6.4734
AUD/NZD	1.0667	0.0001	0.0004	0.0008	0.0011	<b>SEK</b>	5.9005 6.2942
AUD/JPY	75.26	-0.02	-0.07	-0.21	-0.45	<b>SGD</b>	0.9134 0.9743
AUD/EUR	0.6130	-0.0004	-0.0011	-0.0024	-0.0050	<b>TWD</b>	19.41 20.71
AUD/GBP	0.5542	0.0000	-0.0001	-0.0005	-0.0012	<b>ZAR</b>	10.9493 11.6798
USD Index	95.82						
EUR/USD	1.1445	0.0008	0.0023	0.0050	0.0093	<b>EQUITIES</b>	
USD/JPY	107.28	-0.04	-0.13	-0.34	-0.64		<b>Index</b>
GBP/USD	1.2657	0.0003	0.0007	0.0016	0.0026	<b>NZX50</b>	11,553
EUR/GBP	0.9042	0.0005	0.0014	0.0028	0.0055	<b>ASX200</b>	6,002
						<b>Dow Jones</b>	26,681
						<b>S&amp;P 500</b>	3,256
						<b>FTSE100</b>	6,262
						<b>DAX 30</b>	13,047
						<b>Nikkei</b>	22,717
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	41.83
						<b>Brent Crude</b>	43.18
						<b>Gold</b>	1,817.89
						<b>Silver</b>	19.88
						<b>CRB Index</b>	149.42
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>			
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>		
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		0.20%	0.17%	0.21%	0.17%		
1 year swap*		0.26%	0.23%	0.14%	0.12%		
2 year swap*		0.22%	0.20%	0.17%	0.15%		
3 year swap*		0.23%	0.21%	0.21%	0.21%		
5 year swap*		0.34%	0.31%	0.39%	0.38%		
10 year swap*		0.71%	0.68%	0.81%	0.79%		
10 year Govt bond			0.86%		0.89%		

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

SOURCE: Bloomberg

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