



MARKET ALERT

Wednesday 22 July 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6639	-0.0002
NZD/AUD	0.9319	-0.0006
NZD/JPY	70.91	-0.25
NZD/EUR	0.5761	-0.0027
NZD/GBP	0.5214	-0.0008
NZD/CNH	4.6298	0.0448
AUD/USD	0.7125	0.0003
AUD/EUR	0.6182	-0.0025
EUR/USD	1.1524	0.0051
USD/CNH	7.1227	0.0695
GBP/USD	1.2735	0.0016
EUR/GBP	0.9049	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	0.85%	0.86%

Those hotel bills just keep getting bigger and bigger

Great news, the European Leaders 2-day summit finally finished on the 5th day with the leaders agreeing their EUR750 billion pandemic stimulus package of grants and loans to member countries.

European Commission president, Ursula von der Leyen, said of the agreement “it is a pivotal moment in EU history,” before adding the “agreement on recovery fund and budget is a signal Europe is able to act. Tonight, is a big step forward towards the recovery. Europe now has a big chance to come out stronger from the crisis.”

We love all the positivity, and even German Chancellor, Angela Merkel, joined in saying that the agreement is a “good result,” while French President, Emmanuel Jean-Michel Frédéric Macron, added “There is no perfect world, but we have made progress.”

And while the ECB member, Isabel Schnabel, let slip the “balance of risks still towards the downside,” currency markets liked the move. The dollar index weakened 0.75% with the Euro rallying to a 17 month high above the 1.1500 level. This broad lift in sentiment also followed through to the NZD and AUD which both rallied through critical levels to 0.6640 and 0.7130 respectively against the USD, while the AUD’s outperformance saw the NZD/AUD cross ease to 0.9310.

A busy day in Australia

Equity indices were a little more mixed overnight, with most markets flat, although the ASX had a stellar performance closing up 2.5% post the RBA minutes confirming its easy monetary policy.

The RBA minutes from its July meeting showed a continuation in policy stance and outlook as the accommodative approach will be maintained for as long as necessary. The three-year yield target will be maintained until progress is made towards full employment and inflation, while the members agreed that there was no need to adjust the package of measures in Australia in the

current environment. It is most likely that fiscal and monetary support will be required for some time, and the members agreed to continue to assess the evolving situation in Australia and did not rule out adjusting the current package if circumstances warranted. Interestingly, the RBA has not purchased government bonds for some time, but it is prepared to scale up purchases again if necessary.

We were given the heads up on this last week, but the detail was also released yesterday. With the existing Australian wage package due to expire in September, the government announced a further extension of the JobKeeper wage subsidy. From October 2020 to December 2020, fulltime workers will get AUD1200 a fortnight, part-time workers AUD750, then, from January 2021 to March 2021 it will drop to AUD1,000 for full-time workers and AUD650 for part-time workers.

The Australian Minister for Resources also gave an interview to the FT and indicated that Australia has been shielded from an even worse pandemic-led downturn due to record demand for Australian resources from China. In a classic case of ‘don’t bite the hand that feeds’ he then mentioned that Australia is looking at expanding its trading partners to provide new markets for its resources.

Another steady-eddie night from the GDT auction as the average price for whole milk powder rose to USD3,218 up 0.6% from the last auction. Unfortunately, the overall index eased back 0.7% to USD3,201.

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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	72.79					CAD	0.8933 0.9586
NZD/USD	0.6639	0.0000	0.0000	-0.0002	-0.0006	CHF	0.6195 0.6648
NZD/AUD	0.9319	-0.0001	-0.0003	-0.0006	-0.0008	CNY	4.6346 4.9735
NZD/JPY	70.91	-0.02	-0.08	-0.25	-0.48	DKK	4.2871 4.6006
NZD/EUR	0.5761	-0.0004	-0.0011	-0.0027	-0.0051	FJD	1.4280 1.5324
NZD/GBP	0.5214	-0.0001	-0.0003	-0.0008	-0.0015	HKD	5.1453 5.5215
						KRW	793.13 851.13
AU TWI	61.10					MYR	2.8064 3.0116
AUD/USD	0.7125	0.0001	0.0002	0.0003	0.0000	NOK	6.0495 6.4919
AUD/NZD	1.0731	0.0001	0.0003	0.0007	0.0009	SEK	5.8964 6.3276
AUD/JPY	76.09	-0.02	-0.07	-0.21	-0.45	SGD	0.9185 0.9856
AUD/EUR	0.6182	-0.0004	-0.0011	-0.0025	-0.0050	TWD	19.59 21.02
AUD/GBP	0.5595	0.0000	-0.0001	-0.0005	-0.0011	ZAR	10.8906 11.6870
USD Index	95.20						
EUR/USD	1.1524	0.0008	0.0023	0.0051	0.0094	EQUITIES	
USD/JPY	106.81	-0.04	-0.13	-0.34	-0.63		Index
GBP/USD	1.2735	0.0002	0.0006	0.0016	0.0025	NZX50	11,737
EUR/GBP	0.9049	0.0005	0.0014	0.0028	0.0056	ASX200	6,156
						Dow Jones	26,840
						S&P 500	3,249
						FTSE100	6,270
						DAX 30	13,172
						Nikkei	22,884
						COMMODITIES	
							USD
						Dubai Light	43.08
						Brent Crude	44.21
						Gold	1,840.49
						Silver	21.15
						CRB Index	151.35
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%	0.16%	0.11%		
FRA 180d in 6mths		0.21%	0.18%	0.21%	0.17%		
1 year swap*		0.26%	0.23%	0.14%	0.13%		
2 year swap*		0.22%	0.20%	0.17%	0.15%		
3 year swap*		0.23%	0.21%	0.21%	0.20%		
5 year swap*		0.34%	0.31%	0.39%	0.37%		
10 year swap*		0.70%	0.67%	0.80%	0.78%		
10 year Govt bond			0.84%		0.86%		

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