



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Thursday 23 July 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6663	-0.0002
NZD/AUD	0.9332	-0.0006
NZD/JPY	71.41	-0.24
NZD/EUR	0.5758	-0.0026
NZD/GBP	0.5230	-0.0008
NZD/CNH	4.6750	0.0454
AUD/USD	0.7141	0.0003
AUD/EUR	0.6170	-0.0024
EUR/USD	1.1573	0.0050
USD/CNH	7.1227	0.0701
GBP/USD	1.2740	0.0015
EUR/GBP	0.9084	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.31%	0.11%
2 year swap	0.22%	0.17%
10 year Govt	0.86%	0.89%

Burn baby burn

China vowed retaliation after the US forced the closure of its Houston consulate “to protect American intellectual property and Americans’ private information.” This came a day after the US accused two Chinese hackers of stealing, or trying to steal, data for Beijing. Perhaps a little unsurprisingly, police and firefighters were called to the consulate after reports of a fire as papers were being burned outside in open containers in what was described as the best party Houston has seen in years.

The Reserve Bank of New Zealand (“RBNZ”) has announced that with the stabilisation of domestic financial markets, it will reduce its intervention as

the need to provide enhanced liquidity has diminished. The RBNZ will reduce its interventions via its Term Auction Facility (“TAF”) to weekly from daily. This reflects the Finance Minister’s comments from the previous day to withhold NZD14 billion of the NZD20 billion COVID-19 fund aside should it be needed in the future. All up, this is about preparing for a second wave.

Steven Mnuchin, US Treasury Secretary, says he hopes to get the new coronavirus economic rescue bill passed by the end of July, while US House leader, Nancy Pelosi, has also been making positive comments with, “we can bridge the differences between (our) parties on the stimulus bill.”

Overall, equity markets were a little mixed with European indices off a touch and US equities up a smidge (yes, those are technical terms). Even the US 10 year yield has eased slightly to 0.59%

Interestingly, the USD is starting to receive a lot of focus, all of it negative. First up, the CitiBank Pain Index, which gauges investors’ positioning, suggests that investors are still long dollars and are starting to unwind their bullish bets. Meanwhile, the EU’s stimulus package has reduced the structural risk premium for the single currency, while China’s recent shift to slow policy easing provides support for the yuan. This was backed up by Standard Chartered’s forecast that the USD will fall around 7% over the next year. This ‘noise’ saw the NZD and AUD consolidate yesterday’s gains to be

at 0.6660 and 0.7140 against the USD this morning.

Not a good day for UK Trade negotiators

If you want to know what is going on in the UK, just ask the press. The FT, citing “senior government officials” has announced the British government has abandoned hopes of reaching a US-UK trade deal ahead of this autumn’s US election with officials blaming the COVID-19 pandemic for slow progress. Meanwhile, other reports from the UK press state negotiators are close to abandoning all hopes of a post-Brexit trade deal with the EU.

The Japanese economy continues to struggle as highlighted by their July PMI data, which showed modest increases with Manufacturing at 42.6 (prior 40.1), Services steady at 45.2 (prior 45.0), and the Composite 43.9 (prior 40.8)

United Airlines posted a record USD2.6 billion loss for the quarter as revenues plunged 90%. US sales of previously owned houses jumped 20.7% in June to 4.72 million from May’s 3.91 million. Australia preliminary retail sales for June were +2.4% m/m (prior was +16.9%).

In a story that sounds surprisingly familiar, Rio Tinto is threatening to shut an aluminium smelter in Iceland unless its power supplier changes terms of their agreement, which it calls “discriminatory.” Come on Iceland ... don’t back down!



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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	73.05					CAD	0.8937 0.9577
NZD/USD	0.6663	0.0000	0.0000	-0.0002	-0.0006	CHF	0.6193 0.6637
NZD/AUD	0.9332	-0.0001	-0.0003	-0.0006	-0.0008	CNY	4.6647 4.9988
NZD/JPY	71.41	-0.02	-0.08	-0.24	-0.48	DKK	4.2854 4.5924
NZD/EUR	0.5758	-0.0004	-0.0012	-0.0026	-0.0051	FJD	1.4230 1.5249
NZD/GBP	0.5230	-0.0001	-0.0003	-0.0008	-0.0015	HKD	5.1658 5.5358
						KRW	797.83 854.98
AU TWI	61.80					MYR	2.8283 3.0309
AUD/USD	0.7141	0.0001	0.0002	0.0003	0.0000	NOK	6.1019 6.5390
AUD/NZD	1.0716	0.0001	0.0004	0.0007	0.0010	SEK	5.9116 6.3350
AUD/JPY	76.52	-0.02	-0.06	-0.21	-0.45	SGD	0.9233 0.9894
AUD/EUR	0.6170	-0.0003	-0.0010	-0.0024	-0.0050	TWD	19.62 21.03
AUD/GBP	0.5605	0.0000	-0.0001	-0.0004	-0.0011	ZAR	10.9807 11.7673
USD Index	94.96						
EUR/USD	1.1573	0.0008	0.0023	0.0050	0.0094		
USD/JPY	107.17	-0.04	-0.12	-0.34	-0.63		
GBP/USD	1.2740	0.0002	0.0006	0.0015	0.0025		
EUR/GBP	0.9084	0.0005	0.0014	0.0028	0.0056		

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	0.33%	0.29%	0.13%	0.09%
FRA 90d in 3mths	0.30%	0.25%	0.16%	0.11%
FRA 180d in 6mths	0.20%	0.17%	0.22%	0.18%
1 year swap*	0.26%	0.23%	0.15%	0.13%
2 year swap*	0.23%	0.20%	0.18%	0.17%
3 year swap*	0.24%	0.21%	0.22%	0.21%
5 year swap*	0.34%	0.31%	0.39%	0.38%
10 year swap*	0.71%	0.68%	0.81%	0.77%
10 year Govt bond		0.84%		0.89%

EQUITIES	
	Index
NZX50	11,723
ASX200	6,075
Dow Jones	27,006
S&P 500	3,276
FTSE100	6,207
DAX 30	13,104
Nikkei	22,752

COMMODITIES	
	USD
Dubai Light	43.00
Brent Crude	44.25
Gold	1,868.23
Silver	22.94
CRB Index	152.21

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

SOURCE: Bloomberg

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