



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 24 July 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6628	-0.0002
NZD/AUD	0.9339	-0.0007
NZD/JPY	70.79	-0.24
NZD/EUR	0.5718	-0.0026
NZD/GBP	0.5206	-0.0008
NZD/CNH	4.6479	0.0459
AUD/USD	0.7098	0.0003
AUD/EUR	0.6123	-0.0024
EUR/USD	1.1591	0.0050
USD/CNH	7.1227	0.0715
GBP/USD	1.2731	0.0015
EUR/GBP	0.9105	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.11%
2 year swap	0.22%	0.17%
10 year Govt	0.84%	0.86%

A COVID-19 turn or tech weakness?

US jobless claims are on the rise once again as the COVID-19 resurgence interrupts the economic recovery. New applications for unemployment benefits rose for the first time in nearly four months, to 1.42 million, as some states rolled back re-openings. Any prospect of a quick economic recovery is fading and there is talk of further stimulus measures.

While the initial claims numbers weren't good, the real reason equity markets are in the red is because the House of Representatives has requested Amazon, Apple, Facebook and Google to appear

before an antitrust panel next week. As these mega-cap tech stocks have been the key driver for markets since April, talk of breaking these companies up has seen the major indices move into the red.

Global equity indices are down 1-2% overnight, with the weakness following through to bonds. The US 10-year yield is down to 0.57%, while the NZD and AUD have eased to 0.6625 and 0.7100 against the USD. Gold though has had a good session, rallying a percent to USD1,886/oz.

The dip in equity markets hasn't stopped Warren Buffett from ploughing USD800m into BofA shares. In a clear sign of confidence in the US lender, and the wider US banking market, Berkshire Hathaway has taken a 11.3% stake.

Following on from the extension of the wage support package earlier in the week, the Australian Treasurer, Josh Frydenberg, provided a fiscal and economic update yesterday, which wasn't pretty. All up, he's forecasting unemployment will increase to 8.75% in 2020/21, with the budget deficit increasing to AUD184.5 billion, generating a net debt to GDP forecast of 35.7% by June 2021. With the government forecasting the largest budget deficit since WW2, S&P has been quick to re-emphasise that the risks to the 'AAA' Australia rating remain tilted to the downside.

Chinese-US relations continue to deteriorate, with reports the US have arrested three Chinese citizens for visa

fraud, while the Chinese consulate in San Francisco is reportedly harbouring a military researcher(s) wanted by the FBI. In a retaliatory move, it has been reported that China will close the US consulate in Chengdu, which will just leave consulates in Guangzhou, Shanghai, Shenyang, and Wuhan ... I suspect it will be a struggle to get staff at that last one, though!

But watch out. In a classic case of 'that will teach them,' Chinese state media are taking English Premier League matches off the Chinese airwaves. With one week of the season to go, could this be the catalyst for the next Chinese revolution?

In the race to get a vaccine, Chinese company SinoPharm announced that the results of phase I and II clinical trials were very positive and without serious side effects. International phase III clinical trials have begun, and the vaccine could be on the market by the end of the year. You may recall this vaccine was trialled on the Chinese military forces and it is good to note that there were no 'serious' side effects!

Air New Zealand CEO, Greg Foran, speaking to a Parliamentary committee, said its domestic business has improved more than expected. Watch out for those price rises!

South Korea's economy contracted by a seasonally adjusted 3.3% in the second quarter of 2020 from the previous three months, the country now in a recession for the first time since 2003.

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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	72.78					CAD 0.8889	0.9519
NZD/USD	0.6628	0.0000	0.0000	-0.0002	-0.0006	CHF 0.6139	0.6574
NZD/AUD	0.9339	-0.0001	-0.0003	-0.0007	-0.0009	CNY 4.6422	4.9710
NZD/JPY	70.79	-0.03	-0.08	-0.24	-0.48	DKK 4.2559	4.5574
NZD/EUR	0.5718	-0.0004	-0.0011	-0.0026	-0.0051	FJD 1.4133	1.5134
NZD/GBP	0.5206	-0.0001	-0.0003	-0.0008	-0.0015	HKD 5.1373	5.5012
						KRW 797.12	853.58
AU TWI	61.90					MYR 2.8432	3.0446
AUD/USD	0.7098	0.0001	0.0002	0.0003	0.0000	NOK 6.1155	6.5487
AUD/NZD	1.0708	0.0001	0.0004	0.0008	0.0010	SEK 5.8761	6.2923
AUD/JPY	75.81	-0.02	-0.06	-0.20	-0.44	SGD 0.9188	0.9839
AUD/EUR	0.6123	-0.0003	-0.0010	-0.0024	-0.0049	TWD 19.52	20.90
AUD/GBP	0.5575	0.0000	-0.0001	-0.0004	-0.0011	ZAR 11.0622	11.8457
USD Index	94.78						
EUR/USD	1.1591	0.0008	0.0023	0.0050	0.0093	EQUITIES	
USD/JPY	106.81	-0.04	-0.12	-0.33	-0.62		Index
GBP/USD	1.2731	0.0002	0.0006	0.0015	0.0025	NZX50	11,693
EUR/GBP	0.9105	0.0004	0.0014	0.0028	0.0056	ASX200	6,094
						Dow Jones	26,566
						S&P 500	3,232
						FTSE100	6,211
						DAX 30	13,103
						Nikkei	22,752
						COMMODITIES	
							USD
						Dubai Light	43.76
						Brent Crude	43.42
						Gold	1,886.07
						Silver	22.51
						CRB Index	151.81

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	0.30%	0.25%	0.16%	0.11%
FRA 180d in 6mths	0.21%	0.18%	0.22%	0.18%
1 year swap*	0.26%	0.24%	0.15%	0.13%
2 year swap*	0.24%	0.21%	0.18%	0.16%
3 year swap*	0.25%	0.22%	0.22%	0.21%
5 year swap*	0.35%	0.32%	0.38%	0.37%
10 year swap*	0.71%	0.69%	0.78%	0.78%
10 year Govt bond		0.83%		0.86%

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

SOURCE: Bloomberg

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