



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 27 July 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6632	-0.0003
NZD/AUD	0.9351	-0.0029
NZD/JPY	70.32	-0.24
NZD/EUR	0.5697	-0.0027
NZD/GBP	0.5192	-0.0008
NZD/CNH	4.6549	0.0472
AUD/USD	0.7092	0.0019
AUD/EUR	0.6085	-0.0010
EUR/USD	1.1654	0.0050
USD/CNH	7.1227	0.0740
GBP/USD	1.2790	0.0015
EUR/GBP	0.9112	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	0.82%	0.87%

Phase 4 of the great COVID stimulus plan

With talks ongoing over the weekend, the Republicans plan to introduce their version of the next great cash give away, sorry, I mean the next COVID stimulus package, on Monday after disagreements between the White House and the Senate.

While there are still a lot of trade-offs to be negotiated between the Republicans and the Democrats, Treasury Secretary, Steven Mnuchin, announced on Sunday that phase 4 of the overall stimulus could be done 'piecemeal' with phases 5 and 6 'kicked down the road.'

This isn't entirely good news as explained by ex-IMF deputy managing director, Min Zhu. As a leading Chinese economist and also ex-Deputy Governor of the PBoC, Mr Zhu, highlighted there is a rising risk of a loss of confidence in the US dollar due to the US Government's fiscal efforts to double down on its stimulus measures and the Federal Reserve continuing its aggressive monetary policy easing. Hmmm ... slight political bias here?

Nevertheless, Mr Zhu's comments come after the dollar index fell 1.7% last week to close near a two-year low of 94.35, its fifth straight week of falls and its biggest decline in almost four months. This morning the NZD and AUD opened at 0.6635 and 0.7100 respectively against the USD, with the US 10-year Treasury bond yield at 0.59%

Banks across Europe are also taking their lead from the US, bracing themselves for more heavy loan-loss charges. Following the Q2 reporting season when all of the US banks announced the rebuilding of their bad debt provisions, the largest UK, Swiss and Eurozone lenders are expected to make provisions in the region of EUR23 billion as they tackle the economic devastation from the pandemic.

Political rhetoric continues to play out

US Secretary of State, Mike Pompeo, came out swinging, stating that China

is a threat to the US economy and its liberty by saying "President Xi is a true believer in totalitarian ideology" and, "China walked away on their promises on Hong Kong." Meanwhile, China has announced it could expel hundreds of 'US diplomats' from the Chinese mainland who, according to the Chinese, actually work for the CIA.

After seven years, and more than 30 rounds of talks, trade negotiators are expected to attempt a final, last ditch effort to salvage an investment treaty between China and the EU. With the Europeans bemoaning seven years of 'promise fatigue' from Beijing, Brussels wants a level playing field for its firms in China, while Beijing fears being isolated from future plurilateral trade agreements.

Following the UK's imminent departure from the European Union, UK Chancellor, Rishi Sunak is considering plans for a new infrastructure bank to provide funding for capital projects to replace the European Investment Bank (the lending arm of the European Union)

Finally, in slightly positive news, a Reuters poll has highlighted that UK employers have turned positive about hiring and investment for the first time since February as employers' confidence in hiring and investing rose to a net level of +4 in the first half of July, up from -9 in June. Meanwhile, UK consumer confidence held at -27 for July, the same level as in June.

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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	72.74					CAD	0.8911 0.9530
NZD/USD	0.6632	0.0000	-0.0001	-0.0003	-0.0006	CHF	0.6112 0.6536
NZD/AUD	0.9351	-0.0001	-0.0003	-0.0029	-0.0041	CNY	4.6604 4.9841
NZD/JPY	70.32	-0.03	-0.09	-0.24	-0.48	DKK	4.2349 4.5291
NZD/EUR	0.5697	-0.0004	-0.0012	-0.0027	-0.0050	FJD	1.4271 1.5262
NZD/GBP	0.5192	-0.0001	-0.0003	-0.0008	-0.0014	HKD	5.1401 5.4971
						KRW	797.76 853.17
AU TWI	61.40					MYR	2.8260 3.0223
AUD/USD	0.7092	0.0001	0.0002	0.0019	0.0025	NOK	6.0813 6.5037
AUD/NZD	1.0695	0.0002	0.0004	0.0033	0.0048	SEK	5.8609 6.2680
AUD/JPY	75.20	-0.02	-0.07	-0.03	-0.18	SGD	0.9168 0.9804
AUD/EUR	0.6085	-0.0003	-0.0010	-0.0010	-0.0027	TWD	19.58 20.94
AUD/GBP	0.5545	0.0000	-0.0001	0.0008	0.0009	ZAR	11.0457 11.8130
USD Index	94.44						
EUR/USD	1.1654	0.0008	0.0023	0.0050	0.0093	EQUITIES	
USD/JPY	106.03	-0.04	-0.12	-0.33	-0.62		Index
GBP/USD	1.2790	0.0002	0.0006	0.0015	0.0024	NZX50	11,636
EUR/GBP	0.9112	0.0005	0.0014	0.0028	0.0056	ASX200	6,024
						Dow Jones	26,470
						S&P 500	3,216
						FTSE100	6,124
						DAX 30	12,838
						Nikkei	22,752
						COMMODITIES	
							USD
						Dubai Light	42.44
						Brent Crude	43.34
						Gold	1,900.95
						Silver	22.73
						CRB Index	151.93

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	0.20%	0.17%	0.21%	0.17%
1 year swap*	0.27%	0.24%	0.15%	0.13%
2 year swap*	0.23%	0.21%	0.18%	0.16%
3 year swap*	0.24%	0.22%	0.22%	0.21%
5 year swap*	0.34%	0.31%	0.39%	0.37%
10 year swap*	0.70%	0.68%	0.80%	0.80%
10 year Govt bond		0.81%		0.87%

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

SOURCE: Bloomberg

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