



MARKET ALERT

Tuesday 28 July 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6677	-0.0003
NZD/AUD	0.9348	-0.0007
NZD/JPY	70.39	-0.25
NZD/EUR	0.5685	-0.0026
NZD/GBP	0.5189	-0.0008
NZD/CNH	4.6731	0.0482
AUD/USD	0.7143	0.0003
AUD/EUR	0.6081	-0.0024
EUR/USD	1.1746	0.0050
USD/CNH	7.1227	0.0749
GBP/USD	1.2869	0.0015
EUR/GBP	0.9127	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	0.83%	0.89%

Everyone loves the shiny stuff

Gold's 2-year rally has finally taken out the USD1920 level to hit a new 'all time high' at USD1945. The impressive rally is a 'product of the pandemic,' a reflection of the damage done to the global economy, and the respective monetary and fiscal responses. But why stop here, with calls the rally will extend into the USD2,000s.

However, don't forget about silver, which has doubled from its low in March and has rallied 27% in the last week. It gained 7% overnight to reach USD24.35.

ECB member, Fabio Panetta, has been talking about the ECB's stimulus package,

stating *"PEPP is working well, there's no reason to change our decisions or actions. We will need to provide strong monetary stimulus to consolidate the recovery. Unless there are significant upside surprises, we will use the entire PEPP envelope."* This reaffirms the expectation that the ECB will continue with the programme through to the middle of next year at the very least.

Unlike the ECB, which was quick to act, the EU was a lot slower — so slow in fact, that Italy is worried money from the EUR750 billion recently agreed stimulus package will not arrive in time to avert an autumn liquidity squeeze.

Yesterday, RBA Assistant Governor, Christopher Kent, was on the newswires stating *"the RBA's pandemic liquidity operations have worked well."* He added the *"current take up of the RBA's Term Funding Facility is around AUD26 billion, our expectation suggests that the take-up of the TFF will ramp up as we get closer to the end of September"* when it comes to an end. To provide some context, AUD26 billion is around 17% of the total amount currently on offer.

He then started talking about the currency, stating *"the short end of the yield curve has a close correlation with the AUD. The AUD is not far from fundamentals, (we're) not overly concerned about the level of the AUD (although) a lower AUD is still an important stimulatory channel."*

In something a little different, the NZD/USD could be facing a wall of option related selling between now and Wednesday as we have NZD969 million

of options expiring at 0.6675 on 29 July. Option writers will be prepared to work hard to hold the line until the contracts have expired, which won't be an easy task in a softening USD environment.

At the time of writing, the NZD is at 0.6675 against the USD, with the AUD at 0.7140. In amongst this, equity markets are relatively steady with most indices up slightly, although the NASDAQ, once again, has been a standout performer up 2%. The US 10-year yield has firmed back to its base yield at 0.60%.

The news in brief

- Hong Kong bans dine-in services, tightens public gathering limit to two persons.
- Founder of Bridgewater Associates, Ray Dalio, has stated the conflict between the US and China would harm the USD.
- Germany says no to Trump's proposal to allow Russia back into the G7.
- The Republican's COVID plan phase 4 would reduce the US weekly unemployment benefit to USD200 from USD600 currently.
- The Dallas Fed manufacturing index printed at -3.0 vs -4.9 expected.
- According to Morgan Stanley, European equities could rally 10% on the back of last week's historic fiscal stimulus.
- Google joins RBS in allowing employees to work from home until mid-2021.

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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	72.94					CAD	0.8921 0.9543
NZD/USD	0.6677	0.0000	-0.0001	-0.0003	-0.0006	CHF	0.6147 0.6576
NZD/AUD	0.9348	-0.0001	-0.0004	-0.0007	-0.0009	CNY	4.6717 4.9978
NZD/JPY	70.39	-0.03	-0.09	-0.25	-0.48	DKK	4.2312 4.5266
NZD/EUR	0.5685	-0.0004	-0.0012	-0.0026	-0.0051	FJD	1.4348 1.5349
NZD/GBP	0.5189	-0.0001	-0.0003	-0.0008	-0.0015	HKD	5.1756 5.5369
						KRW	798.68 854.43
AU TWI	61.50					MYR	2.8327 3.0304
AUD/USD	0.7143	0.0001	0.0002	0.0003	0.0000	NOK	6.0768 6.5010
AUD/NZD	1.0698	0.0001	0.0004	0.0008	0.0011	SEK	5.8392 6.2468
AUD/JPY	75.31	-0.02	-0.07	-0.21	-0.44	SGD	0.9208 0.9851
AUD/EUR	0.6081	-0.0004	-0.0010	-0.0024	-0.0048	TWD	19.63 20.99
AUD/GBP	0.5550	0.0000	-0.0001	-0.0005	-0.0011	ZAR	10.9847 11.7515
USD Index	93.71						
EUR/USD	1.1746	0.0008	0.0023	0.0050	0.0094	EQUITIES	
USD/JPY	105.44	-0.04	-0.12	-0.33	-0.62		Index
GBP/USD	1.2869	0.0002	0.0006	0.0015	0.0026	NZX50	11,586
EUR/GBP	0.9127	0.0005	0.0013	0.0028	0.0055	ASX200	6,044
						Dow Jones	26,586
						S&P 500	3,239
						FTSE100	6,105
						DAX 30	12,839
						Nikkei	22,716
						COMMODITIES	
							USD
						Dubai Light	42.35
						Brent Crude	43.46
						Gold	1,938.33
						Silver	24.46
						CRB Index	152.75
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		0.31%	0.26%	0.16%	0.11%		
FRA 180d in 6mths		0.20%	0.17%	0.21%	0.17%		
1 year swap*		0.26%	0.24%	0.16%	0.12%		
2 year swap*		0.23%	0.20%	0.18%	0.16%		
3 year swap*		0.24%	0.21%	0.22%	0.21%		
5 year swap*		0.34%	0.31%	0.40%	0.38%		
10 year swap*		0.71%	0.68%	0.83%	0.81%		
10 year Govt bond			0.81%		0.89%		

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

SOURCE: Bloomberg

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