



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Wednesday 29 July 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6657	-0.0002
NZD/AUD	0.9301	-0.0006
NZD/JPY	69.94	-0.24
NZD/EUR	0.5680	-0.0026
NZD/GBP	0.5144	-0.0008
NZD/CNH	4.6648	0.0472
AUD/USD	0.7157	0.0003
AUD/EUR	0.6107	-0.0024
EUR/USD	1.1719	0.0050
USD/CNH	7.1227	0.0729
GBP/USD	1.2940	0.0016
EUR/GBP	0.9056	0.0028
INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.11%
2 year swap	0.22%	0.18%
10 year Govt	0.84%	0.92%

Alphabet soup

First everyone was talking about a ‘V’ shaped recovery, then the debate moved to a ‘W’, and an ‘L’ was even mentioned at one stage, but now everyone is talking about a ‘K’. This represents a recovery where some do well out of the pandemic, while others are subjected to a significant deterioration in their fiscal standing. To be fair, this is actually quite a fair reflection for what is happening, but can we just do away with all these letters?

As we embark upon a 2-day meeting, the Fed announced an extension of its emergency lending programmes to businesses, governments, and individuals to the end of 2020. With the corporate bond market programme due to expire

at the end of September, we should anticipate that this programme will be extended as well.

This is probably reflected in the US Consumer Confidence data, which disappointed, printing at 92.6 versus an expected 95.0, down from a revised prior reading of 98.3. What isn’t helping the Fed though is the latest on the Senate Republican-proposed stimulus package. Senate GOP leader, Mitch McConnell, is facing continued dissent within his own party over the size and scope of the additional federal spending while Democrats are calling the delay in the Republican plan a “train wreck.”

The ECB has extended its recommendation to European banks to freeze dividends and share buybacks until January 2021, and when the regulatory bank politely asks, you know you have to follow!

The Global Times (“GT”), the unofficial mouthpiece of the Chinese Government, has announced that Australian iron ore can’t prop up souring economic ties with Beijing. According to the GT, “*Canberra has been making reckless and wonton (sic) (I did not make that up) political provocations against China in recent months on nearly all issues.*”

Speaking of China, Fitch has affirmed China’s rating at ‘A+’ with a stable outlook. Fitch has a very modest outlook for Chinese GDP, forecasting real GDP at +2.7% this year, although it does acknowledge that the Chinese economy is making a remarkable recovery,

highlighted by its ability to enforce ‘draconian’ lockdown measures when required.

In a move similar to the milk price wars in Australia a few years ago, Walmart and Kroger have started to bottle their own milk in a move that is bound to shake up the American dairy industry. The supermarket chains aim to price the staple as low as possible to draw in shoppers, squeezing old-line companies with premium brands. Unsurprisingly, farmers and supply chains will be the collateral damage. In NZ, the GDT index eased 0.7% to USD 3,201 although WMP was up 0.6% to USD 3,218.

Biden’s staff have been told to delete TikTok from their work and personal phones ... maybe they can now actually do some work on getting him elected rather than just watching videos (Question for the author ... are they still called videos?).

File this one in your, ‘this can’t be good’ folder. North Korean dictator Kim Jong Un says, “*a self-defence nuclear deterrence will guarantee national safety permanently.*”

Twitter has frozen Trump Jr’s account over a COVID-19 video promoting ‘misinformation’ about the virus (yes, they are still called videos).

Markets-wise, it’s been a little quiet ahead of the Fed. Equity markets are all in the red, but less than 1%, FX markets are stable with NZD/USD at 0.6660 and AUD/USD at 0.7160, while the 10-year US yield is at 0.80%.

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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	72.69					CAD	0.8903 0.9573
NZD/USD	0.6657	0.0000	0.0000	-0.0002	-0.0005	CHF	0.6107 0.6566
NZD/AUD	0.9301	-0.0001	-0.0003	-0.0006	-0.0007	CNY	4.6601 5.0106
NZD/JPY	69.94	-0.02	-0.09	-0.24	-0.47	DKK	4.2278 4.5457
NZD/EUR	0.5680	-0.0004	-0.0012	-0.0026	-0.0050	FJD	1.4174 1.5241
NZD/GBP	0.5144	-0.0001	-0.0003	-0.0008	-0.0014	HKD	5.1590 5.5470
						KRW	798.03 858.05
AU TWI	61.60					MYR	2.8305 3.0434
AUD/USD	0.7157	0.0001	0.0002	0.0003	0.0000	NOK	6.0708 6.5274
AUD/NZD	1.0752	0.0001	0.0003	0.0007	0.0008	SEK	5.8435 6.2829
AUD/JPY	75.19	-0.02	-0.07	-0.21	-0.44	SGD	0.9180 0.9870
AUD/EUR	0.6107	-0.0004	-0.0011	-0.0024	-0.0049	TWD	19.54 21.01
AUD/GBP	0.5531	0.0000	-0.0002	-0.0005	-0.0011	ZAR	10.9959 11.8229
USD Index	93.71						
EUR/USD	1.1719	0.0008	0.0023	0.0050	0.0095	EQUITIES	
USD/JPY	105.07	-0.04	-0.12	-0.33	-0.62		Index
GBP/USD	1.2940	0.0002	0.0007	0.0016	0.0026	NZX50	11,578
EUR/GBP	0.9056	0.0005	0.0013	0.0028	0.0055	ASX200	6,021
						Dow Jones	26,407
						S&P 500	3,225
						FTSE100	6,129
						DAX 30	12,835
						Nikkei	22,657
						COMMODITIES	
							USD
						Dubai Light	42.42
						Brent Crude	43.12
						Gold	1,958.59
						Silver	24.39
						CRB Index	152.39
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		0.29%	0.26%	0.16%	0.11%		
FRA 180d in 6mths		0.20%	0.17%	0.21%	0.17%		
1 year swap*		0.26%	0.23%	0.14%	0.13%		
2 year swap*		0.23%	0.20%	0.18%	0.17%		
3 year swap*		0.25%	0.22%	0.22%	0.22%		
5 year swap*		0.35%	0.32%	0.39%	0.38%		
10 year swap*		0.73%	0.70%	0.80%	0.79%		
10 year Govt bond			0.83%		0.92%		

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

SOURCE: Bloomberg

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