



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 3 July 2020 | www.bancorptreasury.com

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6512 | -0.0005 |
| NZD/AUD | 0.9405 | -0.0008 |
| NZD/JPY | 70.03 | -0.28 |
| NZD/EUR | 0.5794 | -0.0030 |
| NZD/GBP | 0.5224 | -0.0010 |
| NZD/CNH | 4.6032 | 0.0404 |
| AUD/USD | 0.6924 | 0.0001 |
| AUD/EUR | 0.6161 | -0.0027 |
| EUR/USD | 1.1239 | 0.0050 |
| USD/CNH | 7.1227 | 0.0670 |
| GBP/USD | 1.2464 | 0.0015 |
| EUR/GBP | 0.9017 | 0.0029 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 0.25% | 0.25% |
| 90 day bills | 0.31% | 0.11% |
| 2 year swap | 0.22% | 0.18% |
| 10 year Govt | 0.97% | 0.92% |

Happy 4th of July ... for tomorrow

As the 4th of July is a US holiday, the release of the non-farm payrolls number for June was brought forward by 24 hours. This made an interesting quandary as we also had initial and continuous claims released in the same session ... essentially all the employment numbers together, and, as you would expect, it was full of contradictions.

Firstly, just to provide some context, non-farm payrolls is a measure of new payrolls added by private and government entities, while initial claims tracks the number of

people who have filed jobless claims for the first time during the week. Finally, continuing claims refers to unemployed workers that qualify for benefits via unemployment insurance, who have already filed a claim and whom are continuing to receive weekly benefits.

On the positive side, the non-farm number highlighted 4.8 million Americans returned to the workforce, the most on record and beating expectations of 3 million. In further good news, the May number was revised up to 2.7 million from 2.5 million, with the all-in unemployment rate at 11.1% against an expectation of 12.5%. Average hourly earnings were down a touch, but the participation rate rose to 61.5% from 60.8%.

Against this, the initial and continuous claims numbers were poor, with the number of Americans filling for unemployment benefits printing at 1.4 million for the week ending 27 June, above expectations of 1.3 million, while continuing jobless claims increased to 19.3 million, above market forecasts of 19.0 million.

As one would expect, US equities focussed on the good news and rallied 0.5%-1.0%, which caused the NZD and AUD to rally to 0.6510 and 0.6920 against the USD. The NZD/AUD cross has firmed a touch to 0.9400, international bond yields have slipped 1-2 points, and commodities have firmed on the positive sentiment.

In a Fox news interview, President Trump announced that, in the battle against COVID-19, masks are good, stating *"I had a mask on. I sort of liked the way looked. It was a dark black mask, and I thought it looked okay. It looked like the Lone Ranger."* I suspect Melania Trump likes the idea of the Donald wearing a mask as well.

St Louis Fed president, James Bullard, has been talking to the FT. Headline comments include *"the risk of a financial crisis remains. Without managing health policy, we could get a wave of substantial bankruptcies, that could feed into a financial crisis. It is probably prudent to keep our lending facilities in place for now. Yield curve control is down the list of priorities for the Fed."*

In a game of tic-for-tat, China is requiring that four US news organizations declare details of their finances and staffing in the country. The organisations must submit paperwork to the government within 7 days as *"China is compelled to take these measures to counter the US' unreasonable suppression of Chinese media in the US."* This is in response to the US announcement that the American offices of four Chinese state run media were *"foreign missions."*

The ratings Agency S&P has cut its projections again for the UK economy, forecasting an 8.1% contraction, and warned of a 'perfect storm' in 2021 is if there is no post-Brexit UK-EU trade deal.

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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 | 72.30 | | | | | CAD | 0.8839 0.9398 |
| NZD/USD | 0.6512 | 0.0000 | -0.0001 | -0.0005 | -0.0010 | CHF | 0.6156 0.6545 |
| NZD/AUD | 0.9405 | -0.0001 | -0.0004 | -0.0008 | -0.0012 | CNY | 4.6017 4.8928 |
| NZD/JPY | 70.03 | -0.03 | -0.10 | -0.28 | -0.56 | DKK | 4.3186 4.5918 |
| NZD/EUR | 0.5794 | -0.0004 | -0.0013 | -0.0030 | -0.0059 | FJD | 1.4139 1.5034 |
| NZD/GBP | 0.5224 | -0.0001 | -0.0004 | -0.0010 | -0.0018 | HKD | 5.0477 5.3670 |
| | | | | | | KRW | 780.73 830.13 |
| AU TWI | 60.40 | | | | | MYR | 2.7926 2.9692 |
| AUD/USD | 0.6924 | 0.0001 | 0.0001 | 0.0001 | -0.0002 | NOK | 6.2097 6.6025 |
| AUD/NZD | 1.0633 | 0.0002 | 0.0005 | 0.0009 | 0.0014 | SEK | 6.0698 6.4538 |
| AUD/JPY | 74.46 | -0.02 | -0.08 | -0.24 | -0.50 | SGD | 0.9083 0.9657 |
| AUD/EUR | 0.6161 | -0.0003 | -0.0011 | -0.0027 | -0.0055 | TWD | 19.22 20.44 |
| AUD/GBP | 0.5555 | 0.0000 | -0.0002 | -0.0006 | -0.0012 | ZAR | 11.0581 11.7577 |
| USD Index | 97.25 | | | | | | |
| EUR/USD | 1.1239 | 0.0008 | 0.0023 | 0.0050 | 0.0097 | EQUITIES | |
| USD/JPY | 107.55 | -0.04 | -0.14 | -0.36 | -0.69 | | Index |
| GBP/USD | 1.2464 | 0.0002 | 0.0007 | 0.0015 | 0.0023 | NZX50 | 11,503 |
| EUR/GBP | 0.9017 | 0.0004 | 0.0014 | 0.0029 | 0.0061 | ASX200 | 6,033 |
| | | | | | | Dow Jones | 25,827 |
| | | | | | | S&P 500 | 3,129 |
| | | | | | | FTSE100 | 6,240 |
| | | | | | | DAX 30 | 12,608 |
| | | | | | | Nikkei | 22,146 |
| | | | | | | | |
| | | | | | | COMMODITIES | |
| | | | | | | | USD |
| | | | | | | Dubai Light | 42.31 |
| | | | | | | Brent Crude | 42.73 |
| | | | | | | Gold | 1,775.81 |
| | | | | | | Silver | 17.95 |
| | | | | | | CRB Index | 149.31 |
| | | | | | | | |
| 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% | 0.27% | 0.17% | 0.12% | | |
| FRA 180d in 6mths | | 0.21% | 0.18% | 0.21% | 0.17% | | |
| 1 year swap* | | 0.26% | 0.23% | 0.15% | 0.13% | | |
| 2 year swap* | | 0.23% | 0.21% | 0.18% | 0.17% | | |
| 3 year swap* | | 0.25% | 0.23% | 0.23% | 0.22% | | |
| 5 year swap* | | 0.38% | 0.36% | 0.42% | 0.41% | | |
| 10 year swap* | | 0.78% | 0.76% | 0.87% | 0.85% | | |
| 10 year Govt bond | | | 0.95% | | 0.92% | | |

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

SOURCE: Bloomberg

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