



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Thursday 30 July 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6663	-0.0001
NZD/AUD	0.9282	-0.0006
NZD/JPY	69.97	-0.23
NZD/EUR	0.5659	-0.0025
NZD/GBP	0.5132	-0.0007
NZD/CNH	4.6625	0.0467
AUD/USD	0.7179	0.0003
AUD/EUR	0.6097	-0.0023
EUR/USD	1.1774	0.0050
USD/CNH	7.1227	0.0716
GBP/USD	1.2982	0.0015
EUR/GBP	0.9069	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.11%
2 year swap	0.20%	0.17%
10 year Govt	0.82%	0.88%

No Fed surprises today

The Fed, unsurprisingly, left its bands unchanged at 0.00-0.25% and, as is always the case these days, it was all about the statement and the post meeting press conference ...

The statement language maintained its usual rhetoric, “*the path of the economy will depend significantly on the course of the virus,*” and that economic activity and employment has “*picked up somewhat in recent months but remain well below their levels at the beginning of the year.*” It then added that the federal funds rate would remain near zero “*until it is confident that the economy has weathered recent events*”

and is on track to achieve its maximum employment and price stability goals.”

The good thing about Fed Chair, Jerome Powell, is that he makes the press conference a lot more interesting with his usual pop at congress “*we will continue to use powers until we’re confident in recovery. Current economic downturn is severe, will take continued fiscal and monetary support to recover.*” But, there were some warnings with “*household spending has recovered about half its drop,*” and, “*dollar swap lines (have been) extended as a backstop,*” followed by “*high-frequency data shows pace of the recovery has slowed.*”

Interestingly, Fed officials will resume their review of the Fed’s long-run policy setting strategy. The change would effectively abandon the Fed’s long-time strategy of always raising rates preemptively to prevent inflation from rising above its 2% target. Instead, officials would allow inflation to average 2% over a period, which would allow for overshooting the 2% target to offset periods of under inflation.

The Fed’s commitment to lower rates saw equity and ‘risk’ assets move into green territory, with equities and commodities broadly up 0.5-1.5%, although the USD index fell 0.25% as the Euro, JPY and GBP all rallied. The NZD and AUD are at 0.6655 and 0.7175 against the USD with the NZD/AUD cross falling to an 8 week low at 0.9280. US bonds are also trading in the red with the 10 year yielding 0.575%.

The USD is still gaining plenty of focus, with Goldman Sachs stating there are “*real concerns about the future of the US Dollar as the world’s reserve currency have started to emerge,*” while Barclays have said the USD “*isn’t anywhere close to losing its reserve currency status.*”

Moderna, who have received USD955 million of US government COVID-related funding, announced that after vaccine tests “*its experimental COVID-19 vaccine induced a robust immune response and protected against infection in a study on monkeys.*” Now, to human trials, and good luck to the 30,000 people who signed up for phase 3 testing.

However, there is a back-up plan! Kodak, you remember them — they used to do cameras and film — have just been granted a USD765 million loan to help expedite the domestic production of drugs and loosen the US’s reliance on foreign sources. Kodak shares rallied 400% on the news. Meanwhile, Russia are expected to have an approved COVID-19 vaccine within 2 weeks.

Comments by ECB governing council member, Yannis Stournaras, that “*PEPP exit depends on inflation outlook,*” reaffirmed expectations that the ECB will be delivering the full amount of PEPP even if it appears they could ease up on the pace of purchases.

General Electric posted a roughly USD2 billion quarterly loss as revenues tumbled 24%.

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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	72.63					CAD	0.8892 0.9580
NZD/USD	0.6663	0.0000	0.0000	-0.0001	-0.0004	CHF	0.6086 0.6557
NZD/AUD	0.9282	-0.0001	-0.0003	-0.0006	-0.0005	CNY	4.6649 5.0260
NZD/JPY	69.97	-0.02	-0.08	-0.23	-0.45	DKK	4.2112 4.5371
NZD/EUR	0.5659	-0.0004	-0.0011	-0.0025	-0.0048	FJD	1.4137 1.5232
NZD/GBP	0.5132	-0.0001	-0.0003	-0.0007	-0.0012	HKD	5.1634 5.5631
						KRW	793.61 855.04
AU TWI	61.70					MYR	2.8307 3.0498
AUD/USD	0.7179	0.0001	0.0002	0.0003	0.0000	NOK	6.0267 6.4932
AUD/NZD	1.0774	0.0001	0.0003	0.0007	0.0006	SEK	5.8225 6.2732
AUD/JPY	75.40	-0.02	-0.07	-0.20	-0.44	SGD	0.9157 0.9866
AUD/EUR	0.6097	-0.0003	-0.0010	-0.0023	-0.0049	TWD	19.58 21.09
AUD/GBP	0.5530	0.0000	-0.0001	-0.0004	-0.0010	ZAR	11.0397 11.8943
USD Index	93.34						
EUR/USD	1.1774	0.0008	0.0023	0.0050	0.0094	EQUITIES	
USD/JPY	105.03	-0.04	-0.12	-0.33	-0.61		Index
GBP/USD	1.2982	0.0002	0.0006	0.0015	0.0023	NZX50	11,599
EUR/GBP	0.9069	0.0004	0.0013	0.0028	0.0056	ASX200	6,006
						Dow Jones	26,516
						S&P 500	3,261
						FTSE100	6,131
						DAX 30	12,822
						Nikkei	22,397
						COMMODITIES	
							USD
						Dubai Light	42.75
						Brent Crude	43.75
						Gold	1,968.92
						Silver	24.21
						CRB Index	153.30

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	0.18%	0.15%	0.20%	0.16%
1 year swap*	0.25%	0.22%	0.14%	0.13%
2 year swap*	0.21%	0.18%	0.18%	0.16%
3 year swap*	0.22%	0.19%	0.21%	0.20%
5 year swap*	0.31%	0.29%	0.38%	0.37%
10 year swap*	0.69%	0.67%	0.80%	0.79%
10 year Govt bond		0.80%		0.88%

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

SOURCE: Bloomberg

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