



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 31 July 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6677	-0.0002
NZD/AUD	0.9300	-0.0006
NZD/JPY	69.95	-0.23
NZD/EUR	0.5637	-0.0025
NZD/GBP	0.5101	-0.0007
NZD/CNH	4.6755	0.0483
AUD/USD	0.7180	0.0003
AUD/EUR	0.6061	-0.0023
EUR/USD	1.1845	0.0049
USD/CNH	7.1227	0.0742
GBP/USD	1.3089	0.0014
EUR/GBP	0.9050	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	0.80%	0.86%

It's the economy, stupid

While the Fed essentially gave a green light to markets for the 10 year US yield to make a new low and for the US dollar index to trade down to levels last seen in early 2018, the GDP print poured even more fuel on to those flames.

The US economy shrank by an annualised 32.9% in Q2, against forecasts of a 34.1% plunge. It is the biggest contraction ever, and pushes the economy into a recession.

We also had a similar story in Germany, where their GDP shrank by 10.1%

against expectations for a 9.0% shrinkage. As with the US, it was their largest contraction ever.

The unemployment numbers were not good either as Americans filling for unemployment benefits rose by 1.43 million for the week, with continuing claims printing at 17.02 million. This lifted the total jobless claims to a whopping, in fact a double whopper with cheese, 54.1 million people.

We have Apple, Amazon, Alphabet and Facebook all reporting after the US bell today, and, never one to take advantage of an opportunity, President Trump has raised the notion of delaying the 3 November US election ... for the good of the people, naturally!

Currently markets are trading in the red with most indices down 0.5-1.0%, although the NASDAQ continues its stellar performance, rallying 0.5%. As mentioned, the 10 year US yield has fallen to 0.55%, so expect NZ rates to be lower this morning, and the NZD are AUD are at 0.6675 and 0.7180 against the USD.

New Zealand Business Confidence is slowly tracking up, and I do mean slowly, as July's -31.8 was only a slight improvement on June's -34.4, although the own activity outlook was better at -8.9 verse the prior-25.9. All-up, the vigorous bounce out of lockdown

appears to be topping out, with most activity indicators in the survey slipping slightly from their early July preliminary reads, albeit still well up on June's.

We also had NZ building permits for June headline at +0.5% for the month, which showed a consolidation on May's +35.6% post lockdown bounce. Over the same period, Australia's building approvals contracted -4.9%, and, just in case anyone was unsure about the state of the Australian economy, the Secretary to the Australian Treasury, Dr Steven Kennedy, said the Australian economy will contract by 7% in Q2.

In the world of COVID-19

The Russians are hoping to have a vaccine approved by the second week of August, with production producing 30 million doses in Russia and 170 million worldwide by end of year. While there is no news on what they tested the vaccine on gulag numbers are down! Meanwhile, the WSJ is reporting the US FDA is nearing a decision to authorise the emergency use of antibody-rich blood plasma from recovered COVID patients. The authorisation could come as early as next week.

Vietnam, which was held up as one of the few countries to successfully contained the first COVID wave, is bracing itself for a second wave after a resurgence in cases.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

Friday 31 July 2020 | www.bancorptreasury.com

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	72.73					CAD	0.8978 0.9654
NZD/USD	0.6677	0.0000	0.0000	-0.0002	-0.0004	CHF	0.6070 0.6527
NZD/AUD	0.9300	-0.0001	-0.0003	-0.0006	-0.0006	CNY	4.6792 5.0316
NZD/JPY	69.95	-0.02	-0.08	-0.23	-0.43	DKK	4.1962 4.5123
NZD/EUR	0.5637	-0.0003	-0.0011	-0.0025	-0.0047	FJD	1.4167 1.5234
NZD/GBP	0.5101	-0.0001	-0.0002	-0.0007	-0.0012	HKD	5.1739 5.5636
						KRW	795.67 855.60
AU TWI	61.70					MYR	2.8108 3.0225
AUD/USD	0.7180	0.0001	0.0002	0.0003	0.0000	NOK	6.0677 6.5248
AUD/NZD	1.0753	0.0001	0.0003	0.0007	0.0007	SEK	5.8114 6.2492
AUD/JPY	75.22	-0.02	-0.07	-0.20	-0.42	SGD	0.9165 0.9855
AUD/EUR	0.6061	-0.0003	-0.0010	-0.0023	-0.0047	TWD	19.63 21.11
AUD/GBP	0.5485	0.0000	-0.0001	-0.0004	-0.0009	ZAR	11.2052 12.0492
USD Index	92.99						
EUR/USD	1.1845	0.0008	0.0023	0.0049	0.0092	EQUITIES	
USD/JPY	104.77	-0.03	-0.12	-0.31	-0.58		Index
GBP/USD	1.3089	0.0002	0.0006	0.0014	0.0022	NZX50	11,692
EUR/GBP	0.9050	0.0004	0.0013	0.0028	0.0055	ASX200	6,051
						Dow Jones	26,316
						S&P 500	3,245
						FTSE100	5,990
						DAX 30	12,380
						Nikkei	22,339
						COMMODITIES	
							USD
						Dubai Light	42.02
						Brent Crude	43.12
						Gold	1,954.33
						Silver	23.33
						CRB Index	151.64

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	0.19%	0.16%	0.20%	0.16%
1 year swap*	0.25%	0.22%	0.15%	0.13%
2 year swap*	0.21%	0.19%	0.17%	0.16%
3 year swap*	0.22%	0.20%	0.21%	0.20%
5 year swap*	0.32%	0.29%	0.38%	0.36%
10 year swap*	0.68%	0.66%	0.79%	0.77%
10 year Govt bond		0.78%		0.86%

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

SOURCE: Bloomberg

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.