



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Wednesday 8 July 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6540	-0.0004
NZD/AUD	0.9421	-0.0009
NZD/JPY	70.34	-0.28
NZD/EUR	0.5803	-0.0030
NZD/GBP	0.5217	-0.0010
NZD/CNH	4.5923	0.0427
AUD/USD	0.6943	0.0003
AUD/EUR	0.6160	-0.0026
EUR/USD	1.1271	0.0052
USD/CNH	7.1227	0.0694
GBP/USD	1.2537	0.0016
EUR/GBP	0.8990	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.31%	0.11%
2 year swap	0.23%	0.17%
10 year Govt	0.98%	0.89%

Central bankers ramp up the warnings

A few Fed members were out and about. Richard Clarida, Fed Vice Chairman, announced, “we can do more and will do more if needed (as) there’s no limit on how much MBS and Treasuries the Fed can buy,” before adding, a “double dip recession is not the Fed’s base case outlook.” Loretta Mester then chimed in with “economic activity is levelling off” which was mirrored by Atlanta Fed president, Raphael Bostic, who warned, the “US recovery may be levelling off;” ... shhhh — don’t tell the President.

The ECB’s Leon Panetta announced the “Euro’s global potential has not been

fully realised,” but then again, will it ever? And this wider rhetoric was backed up by the European Commission, downgrading their 2020 GDP forecasts to -8.7% from -7.7% in May, due to “a deeper slump amid more pronounced economic divergences. The economic imbalance, in terms of welfare and how hard member states are hit from the virus outbreak, is going to grow and (will) cause a divergence in terms of policy views that should be adopted by the bloc.”

In amongst this, yesterday’s RBA meeting was a yawn-feast. To be fair, it is doing a great job, and it held the ship steady with the usual comments about maintaining an accommodative approach, will do more if required, and it won’t raise rates ever again ... no, not really, just until progress is made on employment and inflation.

The data wasn’t too bad with Germany industrial production growing at 7.8% in May, against a 11.1% expectation, the UK’s June Halifax house price index fell 0.1% in the month vs an expected 0.9% fall. While in the US, the number of job openings increased by 0.4 million to 5.4 million in May, reflecting a limited resumption of economic activity.

Politics’ is still playing its part, as an amendment to visa rules threatens to deport 0.4 million Chinese students from the US. (Note to Jacinda; it’s time to open up for the international students). Meanwhile Australia has warned its citizens they may risk ‘arbitrary’ arrest in China, but, don’t worry, US Secretary of State, Michael Pompeo, has said the US is looking to ban TikTok. Smack-down!

And as Kiwis flock home to COVID-free New Zealand, house prices gained 7.4% in June from a year earlier. By all accounts, over 26,000 NZ residents and citizens have come through the border and entered mandatory quarantine.

It’s official, we have now seen it all

Jeffries, a US financial services company, announced the main risk to equity markets is ... an economic recovery. According to their report, “the main risk to equities in the coming quarter is that V-shape recovery expectations suddenly return with a vengeance, yield curves steepen, and concerns rise that the Federal Reserve is too easy.”

New York State financial regulators announced they have slapped Deutsche Bank with a USD150 million penalty “for significant compliance failures” in the bank’s dealings with Jeffrey Epstein

The Italian mafia (allegedly) has sold bonds to global investors via front companies backed by the Ndrangheta organised crime group.

All-up, financial markets were relatively quiet with global equities down 1.0-2.0%. Strangely, against the USD, the NZD held its course at 0.6545, although the AUD weakened a touch to 0.6945 forcing NZD/AUD up to 0.9425.

The NZD was supported by a stellar GDT auction with the headline index rising a staggering 8.3% and Whole Milk Powder increasing 14.0%.

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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	72.40					CAD	0.8900	0.9447
NZD/USD	0.6540	0.0000	-0.0001	-0.0004	-0.0010	CHF	0.6165	0.6544
NZD/AUD	0.9421	-0.0002	-0.0005	-0.0009	-0.0013	CNY	4.5870	4.8692
NZD/JPY	70.34	-0.03	-0.10	-0.28	-0.55	DKK	4.3235	4.5894
NZD/EUR	0.5803	-0.0004	-0.0013	-0.0030	-0.0058	FJD	1.4116	1.4984
NZD/GBP	0.5217	-0.0001	-0.0004	-0.0010	-0.0017	HKD	5.0684	5.3802
						KRW	782.74	830.89
AU TWI	60.50					MYR	2.7895	2.9610
AUD/USD	0.6943	0.0001	0.0002	0.0003	0.0000	NOK	6.2100	6.5920
AUD/NZD	1.0615	0.0002	0.0005	0.0010	0.0015	SEK	6.0561	6.4286
AUD/JPY	74.67	-0.02	-0.07	-0.23	-0.48	SGD	0.9127	0.9688
AUD/EUR	0.6160	-0.0003	-0.0011	-0.0026	-0.0052	TWD	19.28	20.47
AUD/GBP	0.5538	0.0000	-0.0001	-0.0005	-0.0011	ZAR	11.2244	11.9148
USD Index	96.98							
EUR/USD	1.1271	0.0008	0.0023	0.0052	0.0096	EQUITIES		
USD/JPY	107.56	-0.05	-0.14	-0.37	-0.69			Index
GBP/USD	1.2537	0.0003	0.0007	0.0016	0.0024	NZX50		11,744
EUR/GBP	0.8990	0.0005	0.0014	0.0030	0.0060	ASX200		6,013
						Dow Jones		25,890
						S&P 500		3,152
						FTSE100		6,190
						DAX 30		12,617
						Nikkei		22,615
						COMMODITIES		
								USD
						Dubai Light		42.43
						Brent Crude		42.80
						Gold		1,796.52
						Silver		18.26
						CRB Index		150.34

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.30%	0.26%	0.09%	0.09%
90 day bank bills	0.33%	0.29%	0.13%	0.09%
FRA 90d in 3mths	0.32%	0.27%	0.16%	0.11%
FRA 180d in 6mths	0.21%	0.18%	0.20%	0.16%
1 year swap*	0.28%	0.25%	0.14%	0.12%
2 year swap*	0.24%	0.21%	0.18%	0.16%
3 year swap*	0.27%	0.24%	0.23%	0.22%
5 year swap*	0.39%	0.36%	0.40%	0.38%
10 year swap*	0.79%	0.76%	0.83%	0.81%
10 year Govt bond		0.96%		0.89%

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

SOURCE: Bloomberg

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