



# MARKET ALERT

Thursday 13 August 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6579	-0.0002
NZD/AUD	0.9190	-0.0006
NZD/JPY	70.32	-0.24
NZD/EUR	0.5581	-0.0025
NZD/GBP	0.5051	-0.0007
NZD/CNH	4.5621	0.0559
AUD/USD	0.7159	0.0002
AUD/EUR	0.6073	-0.0024
EUR/USD	1.1788	0.0049
USD/CNH	7.1227	0.0875
GBP/USD	1.3026	0.0013
EUR/GBP	0.9050	0.0028

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.10%
2 year swap	0.15%	0.17%
10 year Govt	0.73%	0.92%

## The RBNZ delivers

In yesterday's RBNZ meeting "*The Monetary Policy Committee (MPC) agreed to expand the Large Scale Asset Purchase (LSAP) programme up to \$100 billion, and the Official Cash Rate (OCR) is being held at 0.25 percent in accordance with the guidance issued on 16 March.*" The mortgage deferral scheme will also be extended, although the details are yet to be confirmed.

The *Monetary Policy Statement (MPS)* went into detail about other tools, including a negative cash rate and the purchase of foreign assets. In the press conference the RBNZ

Governor, Adrian Orr, stated that the purchase of foreign assets is a tool less likely to be used in this crisis because they see recent currency movements as a reflection of the global disruptions and not a situation warranting intervention.

Meanwhile, negative interest rates were in the spotlight as the MPC mentioned a new 'Funding for Lending' initiative which would allow banks to borrow directly from the RBNZ at ultra cheap rates and thus encouraged to lend more. While still at the concept stage locally, the BoE has operated a Funding for Lending scheme in the UK since 2012, although there is ongoing debate around its effectiveness.

The RBNZ baseline scenario has unemployment peaking at 8.1% in the December quarter and GDP contracting by 5.8% in 2020, while inflation isn't expected to meet target midpoints until 2023. The scenario assumes the borders will not be fully open until 2022. The Governor reiterated that the risk is to the downside of this scenario.

The NZD/USD slipped half a cent and swap rates eased around 5 basis points across the curve, in response to confirmation from the RBNZ that it wants a lower yield curve.

## Record highs ... and lows

The S&P500 rose above its highest ever closing level, topping the 3,386.15 level that was reached in February.

Unsurprisingly, this jump was led by technology, followed by utilities and then healthcare shares. The DOW and Nasdaq climbed 1.2% and 2.3% respectively. Continuing the trend, oil jumped 2.0% to USD45.44 per barrel. The NZD/USD and AUD/USD are currently sitting at 0.6578 and 0.7159 respectively and 0.9189 at the cross.

In the coming days, Chinese and US negotiators plan to discuss 'progress' of their trade deal, with Beijing pushing to widen discussions to include the recent crackdown on businesses including the ever famous TikTok and WeChat. A virtual meeting will take place as soon as a date has been finalised, so basically, it could be this week, or months from now!

Australian consumer confidence collapsed because of Victoria shifting to stage 4 COVID-19 restrictions. The index slipped 9.5%, to 79.5 in August, approaching lows last seen in April. Confidence plummeted 15% in New South Wales as second wave fears spread beyond Victoria's borders.

The UK economy has suffered the most out of any European country, with data overnight showing GDP plunged 20.4% in the second quarter, the most since records began in 1955 and roughly double that of Germany and the US. The economy has entered its first recession since 2009.

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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	71.62					<b>CAD</b> 0.8722	0.9491
NZD/USD	0.6579	0.0000	-0.0001	-0.0002	-0.0003	<b>CHF</b> 0.6002	0.6531
NZD/AUD	0.9190	-0.0001	-0.0003	-0.0006	-0.0006	<b>CNY</b> 4.5645	4.9670
NZD/JPY	70.32	-0.02	-0.09	-0.24	-0.44	<b>DKK</b> 4.1559	4.5224
NZD/EUR	0.5581	-0.0004	-0.0012	-0.0025	-0.0047	<b>FJD</b> 1.4019	1.5255
NZD/GBP	0.5051	-0.0001	-0.0003	-0.0007	-0.0011	<b>HKD</b> 5.0996	5.5494
						<b>KRW</b> 779.23	847.96
AU TWI	61.30					<b>MYR</b> 2.7434	2.9854
AUD/USD	0.7159	0.0000	0.0001	0.0002	0.0001	<b>NOK</b> 5.8820	6.4007
AUD/NZD	1.0882	0.0001	0.0004	0.0007	0.0007	<b>SEK</b> 5.7191	6.2235
AUD/JPY	76.52	-0.02	-0.07	-0.21	-0.43	<b>SGD</b> 0.9028	0.9824
AUD/EUR	0.6073	-0.0004	-0.0011	-0.0024	-0.0048	<b>TWD</b> 19.38	21.09
AUD/GBP	0.5496	0.0000	-0.0001	-0.0004	-0.0008	<b>ZAR</b> 11.4934	12.5070
USD Index	93.44						
EUR/USD	1.1788	0.0008	0.0023	0.0049	0.0094	<b>EQUITIES</b>	
USD/JPY	106.90	-0.03	-0.12	-0.32	-0.61		<b>Index</b>
GBP/USD	1.3026	0.0002	0.0006	0.0013	0.0021	<b>NZX50</b>	11,492
EUR/GBP	0.9050	0.0005	0.0014	0.0028	0.0058	<b>ASX200</b>	6,132
						<b>Dow Jones</b>	27,977
						<b>S&amp;P 500</b>	3,382
						<b>FTSE100</b>	6,280
						<b>DAX 30</b>	13,059
						<b>Nikkei</b>	22,844
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	43.87
						<b>Brent Crude</b>	45.33
						<b>Gold</b>	1,912.70
						<b>Silver</b>	25.28
						<b>CRB Index</b>	157.58

  

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%	0.12%	0.08%
FRA 90d in 3mths	0.28%	0.25%	0.15%	0.10%
FRA 180d in 6mths	0.16%	0.13%	0.20%	0.16%
1 year swap*	0.24%	0.20%	0.14%	0.12%
2 year swap*	0.16%	0.14%	0.17%	0.16%
3 year swap*	0.16%	0.14%	0.21%	0.21%
5 year swap*	0.25%	0.23%	0.40%	0.38%
10 year swap*	0.64%	0.61%	0.85%	0.82%
10 year Govt bond		0.71%		0.92%

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

SOURCE: Bloomberg

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