



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 14 August 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6543	-0.0002
NZD/AUD	0.9157	-0.0006
NZD/JPY	69.93	-0.24
NZD/EUR	0.5539	-0.0025
NZD/GBP	0.5013	-0.0007
NZD/CNH	4.5474	0.0537
AUD/USD	0.7145	0.0002
AUD/EUR	0.6049	-0.0023
EUR/USD	1.1812	0.0049
USD/CNH	7.1227	0.0844
GBP/USD	1.3053	0.0013
EUR/GBP	0.9049	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.10%
2 year swap	0.11%	0.17%
10 year Govt	0.64%	0.89%

New milestone!

Finally, some good news, initial jobless claims fell below 1 million! A milestone, as this is the first-time applications for unemployment benefits are below 1 million since the pandemic began. By the way, the number that came out overnight, 963k, which is larger than the highest point during the GFC ...

Continuing claims — the number of people claiming ongoing benefits — decreased to 15.5 million which is the lowest since early April but still far above historical levels. Both numbers were better than the market expected.

US equity markets couldn't make up their mind overnight but ended up in red, pulling away from record highs as the market mulls over stimulus negotiations and the reality of a V shaped recovery. Gold bounced back and recovered some of its losses seen earlier this week hovering around USD1,950 an ounce. Silver extended yesterday's gains, rallying 10.0% after plummeting 15.0% on Tuesday.

The NZD/USD had a nudge at 0.6600 before retreating to the 0.6540 level while the AUD/USD fell slightly but still holds up around 0.7150. Fun fact, the NZD is the worst performing G10 currency in the year to date, down 2.58% against the USD. Other underperformers include the CAD and GBP.

Just when things started to look good

Australia's July employment was better than expected with headline employment rising by 114,700, made up from 44,000 full time jobs and 71,200 part time jobs. This follows a revised June figure where fulltime jobs were lost and part time jobs skyrocketed by 250,000. The participation rate shot up to 64.7% in July from 64.0% in June, as a result the unemployment rate rose 0.1% to 7.5% in July — the highest since November 1998. Almost half of the decline in hours worked had been

recovered and two out of every five jobs lost had been regained. A positive number for Australia, however the pain is far from over as the state of Victoria entered strict lockdown not long ago.

The International Energy Agency has cut its estimates for global oil demand once again as the outlook for air travel is worsening as the pandemic continues. The agency has cut estimates for every quarter through to 2021.

Swap traders are currently pricing a negative OCR in New Zealand following the RBNZ's dovish *Monetary Policy Statement* on Wednesday. The market is pricing a 100% chance of the OCR falling to 0.00% by April 2021 and a 50% chance of the OCR falling to -0.25% by August 2021.

Chinese consumers have been urged to exercise caution when buying frozen food after a surface sample of chicken wings from Brazil tested positive for COVID-19. It's been said the virus can live longer when in colder environments. Hence, an investigation is underway into frozen food risk after the cluster in Auckland was discovered on Wednesday and no link has been discovered to overseas travel. In the last 24 hours, there have been 14 confirmed cases in New Zealand. Not a good sign as we await the decision of alert levels at 5:30pm today.

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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	71.24					CAD	0.8649	0.9445
NZD/USD	0.6543	0.0000	-0.0001	-0.0002	-0.0002	CHF	0.5954	0.6502
NZD/AUD	0.9157	-0.0001	-0.0003	-0.0006	-0.0004	CNY	4.5436	4.9621
NZD/JPY	69.93	-0.02	-0.09	-0.24	-0.43	DKK	4.1254	4.5054
NZD/EUR	0.5539	-0.0004	-0.0011	-0.0025	-0.0045	FJD	1.3939	1.5223
NZD/GBP	0.5013	-0.0001	-0.0003	-0.0007	-0.0009	HKD	5.0705	5.5376
						KRW	775.39	846.82
AU TWI	61.60					MYR	2.7533	3.0069
AUD/USD	0.7145	0.0001	0.0002	0.0002	0.0001	NOK	5.8133	6.3488
AUD/NZD	1.0921	0.0001	0.0004	0.0007	0.0004	SEK	5.6836	6.2071
AUD/JPY	76.37	-0.02	-0.07	-0.21	-0.44	SGD	0.8982	0.9809
AUD/EUR	0.6049	-0.0003	-0.0010	-0.0023	-0.0047	TWD	19.27	21.05
AUD/GBP	0.5474	0.0000	-0.0001	-0.0004	-0.0008	ZAR	11.4009	12.4512
USD Index	93.31							
EUR/USD	1.1812	0.0008	0.0023	0.0049	0.0094	EQUITIES		
USD/JPY	106.89	-0.03	-0.12	-0.32	-0.63			Index
GBP/USD	1.3053	0.0002	0.0006	0.0013	0.0021	NZX50		11,501
EUR/GBP	0.9049	0.0004	0.0013	0.0028	0.0057	ASX200		6,091
						Dow Jones		27,897
						S&P 500		3,373
						FTSE100		6,186
						DAX 30		12,994
						Nikkei		23,250
						COMMODITIES		
								USD
						Dubai Light		43.88
						Brent Crude		45.05
						Gold		1,953.40
						Silver		27.33
						CRB Index		158.19

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	0.15%	0.12%	0.20%	0.16%
1 year swap*	0.22%	0.18%	0.14%	0.12%
2 year swap*	0.13%	0.10%	0.17%	0.16%
3 year swap*	0.13%	0.10%	0.21%	0.21%
5 year swap*	0.21%	0.18%	0.39%	0.38%
10 year swap*	0.58%	0.55%	0.86%	0.84%
10 year Govt bond		0.62%		0.89%

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

SOURCE: Bloomberg

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