



MARKET ALERT

Tuesday 18 August 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6554	-0.0003
NZD/AUD	0.9082	-0.0007
NZD/JPY	69.45	-0.24
NZD/EUR	0.5520	-0.0025
NZD/GBP	0.5000	-0.0007
NZD/CNH	4.5433	0.0524
AUD/USD	0.7217	0.0003
AUD/EUR	0.6079	-0.0023
EUR/USD	1.1871	0.0049
USD/CNH	7.1227	0.0827
GBP/USD	1.3107	0.0014
EUR/GBP	0.9057	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.28%	0.10%
2 year swap	0.13%	0.17%
10 year Govt	0.68%	0.90%

NZ the focus of world attention ... for 5 minutes!

First up was Prime Minister, Jacinda Ardern, who announced the NZ election will be postponed from 19 September to 17 October.

Then, following on from last week's RBNZ meeting, a second local bank is now forecasting a negative OCR, predicting 75bp of cuts to -0.50% in early 2021.

Last out of the blocks, Finance Minister, Grant Robertson, pushed out/re-established the wage subsidy scheme which, combined with the wage extension scheme, suggests an additional cost of

NZD1.6 billion to the Government's books. He also announced an extension of the Reserve Bank's mortgage deferral scheme from the 27th September until the 31st March 2021. The good news is that while the Government has expanded its support of the economy, it has not yet dipped into its NZD14 billion COVID contingency fund.

Data-wise, the BusinessNZ services index for July printed at 54.3 (over 50 is expansion), which is exactly the same as June's revised print, indicating the recovery was still on track.

In Brexit news, the *Financial Times* has reported that the EU has warned banks in the UK they will face a longer wait to know whether they will secure access rights to the whole of the bloc's banking sector. As we count down to the deadline, Brussels will not have sufficient time to assess whether Britain qualifies for some pan-EU access rights, known as equivalence provisions, because the bloc's own regulations are in a state of flux. If only they had realised there was just 136 days until Brexit!

Don't worry for all those rich bankers in the 'Square Mile' — UK house prices for August continued their strong performance post the 4-fold increase in the stamp duty threshold, with prices for the year up +4.6% against July's +3.7%. On the month though, prices eased 0.2%.

Japan's economy shrank sharply as Q2 GDP contracted 28% on an annualized basis.

Something for NZ to take note of: Australia is to allow 300 international students from China, Japan, Hong Kong, and Singapore into Adelaide in September.

US homebuilder confidence in August matched the highest reading in the 35-year history of the series as the housing market index rose 6 points to 78, exceeding economists' expectations for a modest increase to 73. Hmmm ... record low interest rates and rising property prices ... who saw that one coming?

US stocks were mixed overnight although S&P500 did have a pop at its all-time high and Chinese equities rallied on the fresh stimulus measures as the PBoC added 700 billion yuan (USD101 billion) of one-year funding via the medium-term lending facility.

Bond markets also firmed a touch, with the 10-year US yield easing to 0.69%, while oil rallied 2% as China increased its purchases of US Crude ahead of possible trade talks.

FX markets were relatively quiet, with NZD/USD up to 0.6560, and the AUD/USD cracked 0.7200 to be at 0.7210. Amongst this, the USD index eased below 93.00 again as CME shorts increased to their highest levels since 2011.

Darn! Malaysia has detected a new strain of COVID that is been found to be 10 times more infectious than the original COVID-19 strain.

Double darn! ... Apple has removed Fortnite from its app store.

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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	71.04					CAD 0.8648	0.9523
NZD/USD	0.6554	0.0000	-0.0001	-0.0003	-0.0002	CHF 0.5937	0.6537
NZD/AUD	0.9082	-0.0001	-0.0003	-0.0007	-0.0004	CNY 4.5431	5.0025
NZD/JPY	69.45	-0.03	-0.09	-0.24	-0.43	DKK 4.1100	4.5256
NZD/EUR	0.5520	-0.0004	-0.0012	-0.0025	-0.0045	FJD 1.3950	1.5361
NZD/GBP	0.5000	-0.0001	-0.0003	-0.0007	-0.0010	HKD 5.0788	5.5924
						KRW 776.01	854.49
AU TWI	61.70					MYR 2.7380	3.0149
AUD/USD	0.7217	0.0001	0.0002	0.0003	0.0001	NOK 5.7960	6.3822
AUD/NZD	1.1011	0.0001	0.0004	0.0008	0.0005	SEK 5.6925	6.2682
AUD/JPY	76.48	-0.02	-0.07	-0.21	-0.44	SGD 0.8964	0.9870
AUD/EUR	0.6079	-0.0004	-0.0010	-0.0023	-0.0047	TWD 19.30	21.25
AUD/GBP	0.5506	0.0000	-0.0001	-0.0004	-0.0009	ZAR 11.4777	12.6385
USD Index	92.85						
EUR/USD	1.1871	0.0008	0.0023	0.0049	0.0094	EQUITIES	
USD/JPY	105.99	-0.04	-0.12	-0.32	-0.62		Index
GBP/USD	1.3107	0.0002	0.0006	0.0014	0.0022	NZX50	11,673
EUR/GBP	0.9057	0.0005	0.0013	0.0028	0.0056	ASX200	6,076
						Dow Jones	27,868
						S&P 500	3,384
						FTSE100	6,127
						DAX 30	12,921
						Nikkei	23,097
						COMMODITIES	
							USD
						Dubai Light	42.91
						Brent Crude	45.32
						Gold	1,983.89
						Silver	27.46
						CRB Index	160.25

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	0.30%	0.26%	0.12%	0.08%
FRA 90d in 3mths	0.27%	0.24%	0.15%	0.10%
FRA 180d in 6mths	0.13%	0.10%	0.20%	0.16%
1 year swap*	0.21%	0.17%	0.14%	0.12%
2 year swap*	0.14%	0.11%	0.18%	0.16%
3 year swap*	0.15%	0.12%	0.22%	0.21%
5 year swap*	0.25%	0.21%	0.40%	0.39%
10 year swap*	0.64%	0.61%	0.84%	0.82%
10 year Govt bond		0.67%		0.90%

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

SOURCE: Bloomberg

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