



# MARKET ALERT

Wednesday 19 August 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6604	-0.0003
NZD/AUD	0.9119	-0.0007
NZD/JPY	69.59	-0.24
NZD/EUR	0.5534	-0.0025
NZD/GBP	0.4987	-0.0008
NZD/CNH	4.5605	0.0536
AUD/USD	0.7242	0.0003
AUD/EUR	0.6069	-0.0023
EUR/USD	1.1932	0.0050
USD/CNH	7.1227	0.0841
GBP/USD	1.3242	0.0014
EUR/GBP	0.9011	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.28%	0.10%
2 year swap	0.09%	0.17%
10 year Govt	0.67%	0.87%

## Once you go negative, there is no going back!

Following on from Monday’s announcement that a second NZ bank was calling for a negative OCR in early 2021, yesterday we had a third bank join the choir, this one calling for a 50bps cut. Three down and one to go, and a prize of a shiny, used, blue biro for the first one to name the outstanding bank!

This change in sentiment has weighed on the NZD IRS curve, especially the 2 and 3-year rates which have dropped to single digits, while forward starting swaps have gone negative. Yes, that is not a typo, short-dated 6 and 9 month

forward starting swaps have dipped into negative territory. And with a clear negative bias between NZ and US rates, it is interesting to note that the NZD/USD hasn’t weakened further. In fact, it rallied half a cent overnight even though the RBNZ’s Chief economist, Yuong Ha, announced the Central Bank would like a weaker NZD. We guess the battle for the weakest currency between the NZD and USD still has some way to go given the negative interest rate differential and the record USD shorts in the market!

While the NZD is holding up against the USD, there is weakness on the crosses, especially against the AUD. While the NZD/AUD cross firmed in the overnight market, it has spent sufficient time in the 0.9000’s to get comfortable there. If only we could get some Australian tourists!

This weakness also followed through to the GDT auction which had another weak night with the main index falling 1.7% while WMP eased 2.2%.

This would solve the NZ housing shortage ... US housing starts surged 22.6% in July to an annualised rate of 1.496 million, above market forecasts of 1.240 million and above June’s upwardly revised 1.220 million. It is the index’s biggest jump since October of 2016.

Equities were generally flat across the board although US stocks climbed to a record as technology shares rallied and the housing data added to optimism over an economic rebound. The dollar

fell to the lowest in more than two years breaking through the 92.50 double bottom to be at 92.30, while treasuries eased further to 0.66%. The NZD/USD and AUD/USD is at 0.6600 and 0.7240 respectively and the NZD/AUD is at 0.9120.

The Russian Minister of Energy, Alexander Novak, has tested positive for COVID but don’t worry, he’s still going to participate in the OPEC+ meeting this week ... via video link. If only the Russians had a vaccine!

The RBA minutes released yesterday maintained the same rhetoric for the third meeting in a row. That’s no fun, but they are doing a grand job! The minutes showed, once again, that the Board sees no need for further easing at the moment, they will retain their cash and 3-year targets, and the accommodative approach will be maintained for as long as is necessary.

However, there is some bad news for Australia. Amid growing geopolitical tensions between the two countries, China has begun an anti-dumping probe into Australian wine. By all accounts, Australia had the largest share of China’s imported wine market at 37%. Now we know a few local companies that may be interested in filling that void!

## The rhythm is gonna get you

For those 1980s music lovers, Gloria Estefan says there’s a “serious lack of leadership” in the US COVID response.

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BANCORP TREASURY SERVICES LIMITED

# DAILY RATES

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FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	71.44					<b>CAD</b>	0.8688 0.9527
NZD/USD	0.6604	0.0000	-0.0001	-0.0003	-0.0001	<b>CHF</b>	0.5964 0.6540
NZD/AUD	0.9119	-0.0001	-0.0004	-0.0007	-0.0003	<b>CNY</b>	4.5707 5.0123
NZD/JPY	69.59	-0.03	-0.09	-0.24	-0.41	<b>DKK</b>	4.1203 4.5184
NZD/EUR	0.5534	-0.0004	-0.0012	-0.0025	-0.0044	<b>FJD</b>	1.4006 1.5359
NZD/GBP	0.4987	-0.0001	-0.0003	-0.0008	-0.0009	<b>HKD</b>	5.1179 5.6123
						<b>KRW</b>	781.66 857.17
AU TWI	62.00					<b>MYR</b>	2.7438 3.0089
AUD/USD	0.7242	0.0001	0.0002	0.0003	0.0001	<b>NOK</b>	5.8383 6.4023
AUD/NZD	1.0966	0.0002	0.0004	0.0009	0.0003	<b>SEK</b>	5.7061 6.2574
AUD/JPY	76.32	-0.02	-0.07	-0.21	-0.43	<b>SGD</b>	0.9011 0.9881
AUD/EUR	0.6069	-0.0003	-0.0010	-0.0023	-0.0047	<b>TWD</b>	19.44 21.32
AUD/GBP	0.5469	0.0000	-0.0001	-0.0004	-0.0008	<b>ZAR</b>	11.4334 12.5380
USD Index	92.31						
EUR/USD	1.1932	0.0008	0.0023	0.0050	0.0094	<b>EQUITIES</b>	
USD/JPY	105.39	-0.04	-0.12	-0.32	-0.61		<b>Index</b>
GBP/USD	1.3242	0.0002	0.0006	0.0014	0.0023	<b>NZX50</b>	11,849
EUR/GBP	0.9011	0.0004	0.0013	0.0028	0.0056	<b>ASX200</b>	6,123
						<b>Dow Jones</b>	27,783
						<b>S&amp;P 500</b>	3,394
						<b>FTSE100</b>	6,077
						<b>DAX 30</b>	12,882
						<b>Nikkei</b>	23,051
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	43.76
						<b>Brent Crude</b>	45.12
						<b>Gold</b>	2,003.51
						<b>Silver</b>	27.92
						<b>CRB Index</b>	161.13
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>			
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>		
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		0.10%	0.07%	0.19%	0.15%		
1 year swap*		0.19%	0.16%	0.13%	0.12%		
2 year swap*		0.10%	0.07%	0.17%	0.16%		
3 year swap*		0.10%	0.08%	0.21%	0.20%		
5 year swap*		0.21%	0.19%	0.38%	0.37%		
10 year swap*		0.61%	0.59%	0.81%	0.79%		
10 year Govt bond			0.66%		0.87%		

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

SOURCE: Bloomberg

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