



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Thursday 20 August 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6560	-0.0003
NZD/AUD	0.9132	-0.0008
NZD/JPY	69.58	-0.24
NZD/EUR	0.5538	-0.0025
NZD/GBP	0.5007	-0.0008
NZD/CNH	4.5404	0.0523
AUD/USD	0.7184	0.0003
AUD/EUR	0.6065	-0.0023
EUR/USD	1.1845	0.0049
USD/CNH	7.1227	0.0830
GBP/USD	1.3102	0.0014
EUR/GBP	0.9041	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.28%	0.11%
2 year swap	0.10%	0.17%
10 year Govt	0.66%	0.87%

Fed minutes snooze-fest

The Federal Reserve minutes from the July 28-29 meeting, when the federal funds rate was left unchanged at 0-0.25%, showed officials reiterated their pledge to maintain aggressive measures to support the economy and that policy is going to remain extremely accommodative given the pandemic and economic uncertainty.

Officials appeared to shy away from their earlier readiness to clarify guidance on the future path of interest rates and, regarding the use of yield curve control, officials continued to voice scepticism about its usefulness.

In New Zealand, and as is par for the course with economists internationally,

all four major banks are now forecasting a negative OCR rate in 2021. At this stage we have two calling for 50bps of cuts from April next year and two anticipating 75bps of cuts. The RBNZ remains committed to keeping the OCR at 0.25% until March, giving the banks time to ready their internal systems for negative interest rates.

Producer input prices in New Zealand declined 1.0% in the quarter to June following a 0.3% drop in the prior period. Output prices declined 0.3%, after edging up 0.1% in the prior period.

Negative yield anyone?

Overnight, Germany sold 30-year bonds with a negative yield for the first time ever. The eurozone's benchmark bond issuer sold EUR824 million of the long-dated bonds, against a target of EUR2 billion, with an average yield of -0.11%. The 30-year German bond yield has fallen almost 30bps this month.

Apple became the first US company to reach a USD2 trillion market cap. The milestone comes barely two years after it passed the USD1 trillion mark.

President Trump announced he doesn't want to talk to China, and he won't! This outburst led to White House Chief of Staff, Mark Meadows, announcing there are no US-China trade talks scheduled.

Overnight, equity markets reacted to the Fed minutes. Before the Fed minutes, European and Asian markets were modestly higher, and after the minutes,

US equities were modestly lower.

Treasury yields firmed a touch as the 10-year hit 0.68%. The NZD/USD had a volatile ride, spiking to 0.6650 before dropping back to 0.6560. The AUD/USD saw a similar move, falling from its high of 0.7276 to 0.7180

Commodity market were also interesting. In a similar story to iron ore, copper rose above USD3.00 a pound to a two year high, driven by Chinese demand. Unfortunately, gold and silver didn't fare so well. Gold fell over 3% as it broke below the USD2,000 level to USD1,941, while silver fell 4%.

The British Chambers of Commerce announced that while UK business groups say trading conditions have improved, the improvement has been slow, and they still need government support.

The Australian Federal Government has secured a deal to produce the AstraZeneca vaccine locally and has said that it will be free to the wider populace, although there are conditions. The first condition is that the vaccine must actually work! It does look promising though, as AstraZeneca was developed with Oxford University and is in its third phase of trials.

At last, some real value. In amongst a global pandemic and global economic meltdown, Finnish researchers have finally added a real, tangible benefit ... they've discovered a cure for the common hangover!

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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	71.22					CAD	0.8669 0.9494
NZD/USD	0.6560	-0.0001	-0.0001	-0.0003	-0.0001	CHF	0.5997 0.6567
NZD/AUD	0.9132	-0.0002	-0.0004	-0.0008	-0.0002	CNY	4.5402 4.9720
NZD/JPY	69.58	-0.03	-0.09	-0.24	-0.40	DKK	4.1239 4.5161
NZD/EUR	0.5538	-0.0004	-0.0012	-0.0025	-0.0044	FJD	1.3886 1.5207
NZD/GBP	0.5007	-0.0001	-0.0003	-0.0008	-0.0009	HKD	5.0843 5.5679
						KRW	776.10 849.91
AU TWI	62.00					MYR	2.7703 3.0337
AUD/USD	0.7184	0.0001	0.0002	0.0003	0.0001	NOK	5.8417 6.3973
AUD/NZD	1.0951	0.0002	0.0005	0.0009	0.0003	SEK	5.7070 6.2498
AUD/JPY	76.19	-0.02	-0.07	-0.19	-0.42	SGD	0.8989 0.9844
AUD/EUR	0.6065	-0.0003	-0.0010	-0.0023	-0.0047	TWD	19.30 21.14
AUD/GBP	0.5483	0.0000	-0.0001	-0.0004	-0.0008	ZAR	11.3217 12.3985
USD Index	92.99						
EUR/USD	1.1845	0.0007	0.0023	0.0049	0.0094	EQUITIES	
USD/JPY	106.07	-0.03	-0.12	-0.31	-0.60		Index
GBP/USD	1.3102	0.0002	0.0006	0.0014	0.0022	NZX50	11,751
EUR/GBP	0.9041	0.0004	0.0014	0.0028	0.0056	ASX200	6,168
						Dow Jones	27,708
						S&P 500	3,381
						FTSE100	6,112
						DAX 30	12,977
						Nikkei	23,111
						COMMODITIES	
							USD
						Dubai Light	43.55
						Brent Crude	45.19
						Gold	1,940.12
						Silver	26.72
						CRB Index	161.45

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%	0.13%	0.09%
FRA 90d in 3mths	0.30%	0.22%	0.14%	0.09%
FRA 180d in 6mths	0.09%	0.06%	0.19%	0.15%
1 year swap*	0.18%	0.15%	0.14%	0.12%
2 year swap*	0.11%	0.08%	0.17%	0.16%
3 year swap*	0.11%	0.08%	0.21%	0.21%
5 year swap*	0.20%	0.17%	0.39%	0.38%
10 year swap*	0.58%	0.55%	0.82%	0.81%
10 year Govt bond		0.64%		0.87%

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

SOURCE: Bloomberg

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