



MARKET ALERT

Friday 21 August 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6535	-0.0003
NZD/AUD	0.9081	-0.0008
NZD/JPY	69.12	-0.23
NZD/EUR	0.5511	-0.0025
NZD/GBP	0.4944	-0.0008
NZD/CNH	4.5132	0.0516
AUD/USD	0.7196	0.0003
AUD/EUR	0.6069	-0.0022
EUR/USD	1.1857	0.0048
USD/CNH	7.1227	0.0824
GBP/USD	1.3217	0.0013
EUR/GBP	0.8971	0.0027

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.27%	0.10%
2 year swap	0.07%	0.16%
10 year Govt	0.64%	0.85%

NZ keeps the world’s press busy

Yesterday was a busy day in New Zealand ...

First up was RBNZ assistant Governor, Christian Hawkesby, discussing the central bank’s balance sheet. He stated it “will continue to grow as it supports the economy” adding “the size and composition of (the) balance sheet will become a more active tool for monetary policy decisions. Equally, it’s not the bank’s goal to minimise financial risk on the balance sheet. Rather, our approach is to manage risk within a clear risk appetite framework.” Ultimately, “a lower or negative OCR, funding for lending programme, purchases of foreign assets,

and interest rate swaps all provided policy optionality.”

We then had Finance Minister, Grant Robertson, boost the business finance guarantee scheme from NZD500,000 to NZD5 million, then, almost immediately afterwards, the RBNZ extended its term lending facility from 3 to 5 years. This is the facility where the central bank lends directly to the local banks at the OCR rate.

Phew, what a day. Everyone should lie down and have a rest.

In the US, initial jobless claims unexpectedly rose, at 1.11 million, well above market expectations of 925,000. Continuing claims were pretty close to target though at 14.84 million. Given that initial claims rose despite the low benefits on offer, the numbers highlight the underlying weakness in the labour market.

The Philadelphia Fed Manufacturing Index wasn’t any better either, at 17.2. The employment component fell from 20.1 to 9.0, which again would suggest a loss of labour market momentum. New orders also fell slightly to 19 from 23.

Here’s a surprise, while European indices closed in the red, US stocks rose again, driven by tech stocks. And yes, Tesla traded above USD2,000. While the NASDAQ rallied 1.5%, the DOW and S&P 500 were only slightly in the green, and what is concerning is that the S&P’s volumes were 25% below their 30 day average.

USD shorts were squeezed forcing the NZD and AUD down to 0.6530 and 0.7200 against the USD, while the NZD/AUD eased back to 0.9075. Keep an eye on the 0.6520 level as key support for the NZD/USD. European bond yields broadly declined, while the US 10-year yield took a hit falling to 0.65%. In commodity land, gold and silver recovered some of yesterday’s losses, while base metals stumbled.

Airbnb has submitted a draft registration to the SEC to IPO. Given the state of the global travel industry, one could wonder about the timing. Airbnb also announced a ‘global party ban’ for health reasons ... remember, you’ve got to fight, for your right, to party!

“The blood is the life!” a quote from Bram Stoker’s Dracula, summed it up best after South Korea approved phase 2 trials of a COVID blood plasma treatment drug.

In what could be a tit-for-tat measure, Australian Treasurer, Josh Frydenberg, has gone against the advice of the Australian Foreign Investment Review Board (FIRB) and blocked Chinese company Mengniu Dairy’s AUD600 million buyout of Lion Dairy & Drinks from Japan’s Kirin Holdings.

This is ironic. Steve Bannon, former Presidential adviser to Mr. Trump, has been charged with fraud over a ‘We Build the Wall’ crowdfunding campaign!

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BANCORP TREASURY SERVICES LIMITED

DAILY RATES

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FX	Spot Mid	FECs (mid)				Spot Mid		
		1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.87					CAD	0.8611	0.9482
NZD/USD	0.6535	-0.0001	-0.0002	-0.0003	-0.0001	CHF	0.5935	0.6536
NZD/AUD	0.9081	-0.0002	-0.0004	-0.0008	-0.0003	CNY	4.5193	4.9767
NZD/JPY	69.12	-0.03	-0.09	-0.23	-0.39	DKK	4.1035	4.5187
NZD/EUR	0.5511	-0.0004	-0.0012	-0.0025	-0.0044	FJD	1.3945	1.5357
NZD/GBP	0.4944	-0.0001	-0.0003	-0.0008	-0.0009	HKD	5.0643	5.5768
						KRW	774.91	853.33
AU TWI	61.60					MYR	2.7276	3.0036
AUD/USD	0.7196	0.0001	0.0002	0.0003	0.0001	NOK	5.8302	6.4202
AUD/NZD	1.1012	0.0002	0.0005	0.0009	0.0003	SEK	5.6910	6.2669
AUD/JPY	76.11	-0.02	-0.06	-0.19	-0.41	SGD	0.8934	0.9838
AUD/EUR	0.6069	-0.0003	-0.0010	-0.0022	-0.0046	TWD	19.24	21.18
AUD/GBP	0.5444	0.0000	-0.0001	-0.0004	-0.0008	ZAR	11.2837	12.4256
USD Index	92.79							
EUR/USD	1.1857	0.0007	0.0022	0.0048	0.0093	EQUITIES		
USD/JPY	105.78	-0.03	-0.11	-0.30	-0.58			Index
GBP/USD	1.3217	0.0002	0.0006	0.0013	0.0021	NZX50		11,662
EUR/GBP	0.8971	0.0004	0.0013	0.0027	0.0056	ASX200		6,120
						Dow Jones		27,779
						S&P 500		3,383
						FTSE100		6,013
						DAX 30		12,830
						Nikkei		22,881
						COMMODITIES		
								USD
						Dubai Light		43.35
						Brent Crude		44.92
						Gold		1,951.34
						Silver		27.40
						CRB Index		160.20

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	0.29%	0.25%	0.12%	0.08%
FRA 90d in 3mths	0.27%	0.24%	0.14%	0.09%
FRA 180d in 6mths	0.09%	0.06%	0.19%	0.15%
1 year swap*	0.19%	0.15%	0.13%	0.12%
2 year swap*	0.09%	0.06%	0.17%	0.16%
3 year swap*	0.08%	0.06%	0.21%	0.20%
5 year swap*	0.16%	0.13%	0.38%	0.37%
10 year swap*	0.53%	0.51%	0.79%	0.78%
10 year Govt bond		0.62%		0.85%

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

SOURCE: Bloomberg

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