



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 24 August 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6539	-0.0004
NZD/AUD	0.9132	-0.0008
NZD/JPY	69.18	-0.23
NZD/EUR	0.5545	-0.0026
NZD/GBP	0.4997	-0.0008
NZD/CNH	4.5248	0.0510
AUD/USD	0.7161	0.0003
AUD/EUR	0.6070	-0.0023
EUR/USD	1.1797	0.0049
USD/CNH	7.1227	0.0818
GBP/USD	1.3086	0.0013
EUR/GBP	0.9015	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.27%	0.10%
2 year swap	0.09%	0.17%
10 year Govt	0.62%	0.88%

Equities show the way

Friday night saw the Dow and the S&P500 make, yet again, new highs. By the close, the US indices were in the green, although Europe was a mixed bag. The positive US tone was driven by economic data, with manufacturing PMI increasing to 53.6 in August, from 50.9 in July, and beating market forecasts of 51.9, while the IHS Markit services PMI rose to 54.8 in August, beating forecasts of 51.0 and up from July's 50.0.

While equities firmed, FX, interest rate, and commodity markets were broadly flat. The NZD/USD is trading at 0.6540, the AUD/USD at 0.7155, the 10-year US treasury is yielding 0.64%, and gold,

silver, crude and Brent all closed slightly in the red.

NZ credit card spending in July increased 1.8% on June's headline, slightly less than the prior months 14.0% increase.

We had some mixed Australian data on Friday, with preliminary retail sales data for July increasing 3.3% on the month, and 12.2% on the year, although August preliminary PMIs had manufacturing at 53.9 (prior 54.0) and services at 48.1 (prior 58.2). And while more than half of the 1.3 million Australians who lost their jobs or were stood down at the start of the pandemic are now back in work, the economic recovery is being hampered by state border closures, Treasurer, Josh Frydenberg, said.

RBNZ Chief Economist, Yuong Ha, reiterated that the re-imposition of the Auckland lockdown played a part in the August policy decision. He then added that the RBNZ is watching the labour market very closely and that the asset purchase programme has been successful in lowering retail interest rates. On the currency, Yuong added that the RBNZ is not hostage to the exchange rate but would welcome 'helpful support' in that direction.

Joe Biden, in his acceptance speech for the Democratic Presidential nomination, stated that if he was voted President, his first step would be to take control of the coronavirus. That would be a new and novel approach for most Americans.

India, Japan and Australia have begun discussions on a trilateral Supply Chain

Resilience Initiative (SCRI) to reduce supply chain dependency on China.

Microsoft is planning to expand its cloud contract efforts targeting foreign governments after its USD10 billion US Defense Department win.

Big week ahead, with the Fed sponsored virtual Jackson Hole Symposium, while key data due out this week includes US June quarter GDP, durable goods orders and personal income and outlays; Canada and Germany June quarter GDP updates; Eurozone business survey; and China industrial profits.

The race is on ...

The Pfizer COVID-19 vaccine is on track to seek its October regulatory review. Pfizer envisages, upon approval, producing 100 million doses this year, and supplying 1.3 billion doses by the end of 2021. The vaccine showed strong immunogenicity in both younger and older adults.

Meanwhile, Chinese health officials have announced that China has officially launched the emergency use of its COVID-19 vaccine made from insect cells. It has been approved for clinical trials by the National Medical Products Administration.

Not to be outdone, President Trump will reportedly announce emergency authorisation of its convalescent plasma COVID-19 treatment. Convalescent plasma uses blood from COVID patients that have recovered and builds antibodies against the virus.

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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	71.06					CAD 0.8617	0.9436
NZD/USD	0.6539	-0.0001	-0.0002	-0.0004	-0.0001	CHF 0.5965	0.6532
NZD/AUD	0.9132	-0.0002	-0.0004	-0.0008	-0.0003	CNY 4.5253	4.9554
NZD/JPY	69.18	-0.03	-0.09	-0.23	-0.39	DKK 4.1324	4.5252
NZD/EUR	0.5545	-0.0004	-0.0012	-0.0026	-0.0045	FJD 1.3933	1.5257
NZD/GBP	0.4997	-0.0001	-0.0003	-0.0008	-0.0009	HKD 5.0677	5.5493
						KRW 779.52	853.62
AU TWI	61.70					MYR 2.7298	2.9892
AUD/USD	0.7161	0.0001	0.0002	0.0003	0.0001	NOK 5.8982	6.4588
AUD/NZD	1.0951	0.0002	0.0005	0.0010	0.0004	SEK 5.7484	6.2947
AUD/JPY	75.78	-0.02	-0.06	-0.19	-0.40	SGD 0.8971	0.9824
AUD/EUR	0.6070	-0.0003	-0.0010	-0.0023	-0.0047	TWD 19.25	21.08
AUD/GBP	0.5472	0.0000	-0.0001	-0.0004	-0.0008	ZAR 11.2178	12.2840
USD Index	93.25						
EUR/USD	1.1797	0.0008	0.0022	0.0049	0.0094	EQUITIES	
USD/JPY	105.84	-0.03	-0.11	-0.30	-0.58		Index
GBP/USD	1.3086	0.0002	0.0006	0.0013	0.0021	NZX50	11,836
EUR/GBP	0.9015	0.0005	0.0013	0.0028	0.0057	ASX200	6,111
						Dow Jones	27,930
						S&P 500	3,397
						FTSE100	6,002
						DAX 30	12,765
						Nikkei	22,920
						COMMODITIES	
							USD
						Dubai Light	43.16
						Brent Crude	44.35
						Gold	1,938.54
						Silver	26.74
						CRB Index	159.28

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	0.30%	0.22%	0.14%	0.09%
FRA 180d in 6mths	0.09%	0.06%	0.18%	0.14%
1 year swap*	0.18%	0.15%	0.13%	0.11%
2 year swap*	0.10%	0.07%	0.17%	0.16%
3 year swap*	0.09%	0.06%	0.20%	0.20%
5 year swap*	0.15%	0.13%	0.38%	0.36%
10 year swap*	0.52%	0.50%	0.80%	0.78%
10 year Govt bond		0.60%		0.88%

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

SOURCE: Bloomberg

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