



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 25 August 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6529	-0.0003
NZD/AUD	0.9115	-0.0008
NZD/JPY	69.18	-0.23
NZD/EUR	0.5537	-0.0025
NZD/GBP	0.4997	-0.0008
NZD/CNH	4.5137	0.0507
AUD/USD	0.7163	0.0003
AUD/EUR	0.6075	-0.0023
EUR/USD	1.1791	0.0048
USD/CNH	7.1227	0.0814
GBP/USD	1.3067	0.0014
EUR/GBP	0.9023	0.0027

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.28%	0.11%
2 year swap	0.09%	0.15%
10 year Govt	0.57%	0.86%

A lot of headlines, but little of substance

Our favourite Prime Minister, Jacinda Ardern, announced Auckland will remain under alert Level 3 restrictions until midnight, on 30 August, when we will revert to Level 2 (fingers crossed, touch wood). As one would expect, it will hit retail sales, as was highlighted by yesterday's Q2 release which showed a 14.6% contraction (excluding inflation). Still, it was slightly better than the expectations of a 15% fall.

Goldman Sachs predicts 25% of US job losses during the pandemic won't be replaced.

The Chicago Fed National Activity Index in the US fell to 1.18 in July from a record high of 5.33 in June and compared to market forecasts of 2.73.

American Airlines is to be given an emergency exemption by the US Environmental Protection Agency (EPA) to use a surface coating called *SurfaceWise2* that kills COVID-19 for up to 7 days.

The Victorian government is set to introduce laws to allow the state of emergency to be in place for up to 18 months from the current limit of six months. The current state of emergency finishes on 16 September and what the state of emergency means is that the Chief Health Officer is given extraordinary powers to make legally binding directives.

And speaking of COVID, the world's first case of COVID-19 reinfection was confirmed in Hong Kong. Meanwhile, the Bank of Korea Governor said a new COVID surge would weaken their economic recovery ... as it revises down its growth projections.

Reports suggest the US is considering fast tracking FDA approval for the AstraZeneca/Oxford vaccine ... just in time for the election, no doubt.

Donald Trump has had a busy 24 hours. First up, the Republicans have officially nominated/retained him to face Biden in the November election. In amongst this, his senior domestic advisor, Kellyanne Conway, has resigned and will leave the

White House at the end of the month.

Finally, TikTok has announced it will sue the US government over Trump's ban in amongst sale talks with Microsoft and Oracle.

Joe Biden says, "no new taxes" for anyone making less than USD400,000 ... if only I had that problem!

The Chinese Government mouthpiece, the *Global Times*, has announced China will hold military drills across three major Chinese sea regions "aimed at deterring Taiwan secessionists and the US"

58% of US offshore oil production has shut down ahead of gulf storms Laura and Marco, which has seen gasoline prices rally 7%.

Financial markets paused ahead of this week's virtual Jackson Hole. Summing it up ... global equities are in the green with European indices up 2%, commodities, apart from oil are flat, the US 10 year yield is at 0.65%, and currencies are flatlining with NZD/USD at 0.6525 and AUD/USD at 0.7155. What is interesting is NZ swap rates. You actually have to go out to 7 years to find a rate higher than 3 month BKBM, while the NZ 10 year swap rate closed yesterday at 0.49%

Fact of the day ...

Apple, which rose 2.8% overnight, is trading at the highest percentage premium to its 200-DMA, 57%, since November 2007. That month the stock fell about 4%.

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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	70.96					CAD	0.8634 0.9473
NZD/USD	0.6529	-0.0001	-0.0002	-0.0003	-0.0001	CHF	0.5951 0.6529
NZD/AUD	0.9115	-0.0002	-0.0004	-0.0008	-0.0004	CNY	4.5172 4.9561
NZD/JPY	69.18	-0.03	-0.09	-0.23	-0.39	DKK	4.1210 4.5214
NZD/EUR	0.5537	-0.0004	-0.0012	-0.0025	-0.0045	FJD	1.3904 1.5255
NZD/GBP	0.4997	-0.0001	-0.0003	-0.0008	-0.0009	HKD	5.0594 5.5509
						KRW	776.50 851.94
AU TWI	61.60					MYR	2.7264 2.9912
AUD/USD	0.7163	0.0001	0.0002	0.0003	0.0002	NOK	5.8794 6.4506
AUD/NZD	1.0972	0.0002	0.0005	0.0010	0.0005	SEK	5.7384 6.2958
AUD/JPY	75.90	-0.02	-0.06	-0.19	-0.40	SGD	0.8948 0.9817
AUD/EUR	0.6075	-0.0003	-0.0010	-0.0023	-0.0046	TWD	19.21 21.07
AUD/GBP	0.5482	0.0000	-0.0001	-0.0004	-0.0008	ZAR	11.0773 12.1534
USD Index	93.34						
EUR/USD	1.1791	0.0008	0.0023	0.0048	0.0094	EQUITIES	
USD/JPY	105.98	-0.03	-0.11	-0.30	-0.58		Index
GBP/USD	1.3067	0.0002	0.0006	0.0014	0.0022	NZX50	11,921
EUR/GBP	0.9023	0.0005	0.0013	0.0027	0.0056	ASX200	6,130
						Dow Jones	28,267
INTEREST		New Zealand		Australia		S&P 500	3,425
RATES		Borrow	Invest	Borrow	Invest	FTSE100	6,105
30 day bank bills		0.29%	0.25%	0.09%	0.09%	DAX 30	13,067
90 day bank bills		0.30%	0.26%	0.13%	0.09%	Nikkei	22,986
FRA 90d in 3mths		0.28%	0.23%	0.14%	0.09%	COMMODITIES	
FRA 180d in 6mths		0.09%	0.06%	0.17%	0.13%		USD
1 year swap*		0.18%	0.15%	0.13%	0.11%	Dubai Light	43.50
2 year swap*		0.10%	0.08%	0.16%	0.14%	Brent Crude	45.01
3 year swap*		0.10%	0.07%	0.21%	0.18%	Gold	1,926.88
5 year swap*		0.16%	0.12%	0.37%	0.36%	Silver	26.44
10 year swap*		0.51%	0.47%	0.80%	0.79%	CRB Index	160.67
10 year Govt bond			0.56%		0.86%		

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

SOURCE: Bloomberg

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