



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Thursday 27 August 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6623	-0.0003
NZD/AUD	0.9155	-0.0007
NZD/JPY	70.19	-0.23
NZD/EUR	0.5599	-0.0025
NZD/GBP	0.5014	-0.0007
NZD/CNH	4.5576	0.0514
AUD/USD	0.7234	0.0003
AUD/EUR	0.6116	-0.0023
EUR/USD	1.1828	0.0048
USD/CNH	7.1227	0.0805
GBP/USD	1.3209	0.0014
EUR/GBP	0.8955	0.0027

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.28%	0.10%
2 year swap	0.09%	0.15%
10 year Govt	0.58%	0.95%

## Watch out ... there's a new kid in town!

While the four major banks have all played with a steady bat and forecasted the OCR to go negative next year, the new boy on the block has proved to be a bit of an upstart, bucking the trend, saying sub-zero rates would be a mistake as the *“current economic conditions don't justify it. The supply of credit is not an issue, and people are likely to save harder with ~0% deposit rates. Going negative also depletes the RBNZ's armoury.”* They do concede that negative rates are a possibility, although they advocate direct lending before opting for negative rates.

New Zealand July 2020 trade balance NZD282m (vs. expected NZD293m).

Australian construction work done for Q2 contracted at 0.7%, a lot better than the expected -7.0%.

### This can't be good!

A day after an American spy plane reportedly breached Chinese airspace, China fired two missiles, one an 'aircraft-carrier killer' missile, in a 'warning to the US.' Against this, the US announced trade and visa restrictions against 24 companies for their efforts in helping China *“reclaim and militarize disputed outposts”* in the contested maritime area.

In amongst this, Japan is keen to join the Five Eyes intelligence alliance over concerns of China's growing military activity within the region.

Interestingly, the escalating tensions didn't weigh on equities as stocks extended their streak of record gains amid rising expectations of an extended period of loose monetary policy from the upcoming Jackson Hole meeting. Surging technology shares pushed the Nasdaq and S&P500 to fresh highs with the S&P500 having jumped almost 55% from its March lows.

These gains saw the US dollar weaken and Treasuries pare back losses as the 10-year yield increased to 0.70%. It's incredible to think that this has seen the NZ 10-year IRS rise from an open of 0.49% on Tuesday to close last night

at 0.575%. Expect it to rally even further today. The weakening USD saw the NZD and AUD both gain against the greenback to 0.6615 and 0.7235 respectively.

Germany is looking to extend its wage support programme through to the end of 2021 while Japan will extend its worker subsidy program to the end of this year.

Finland's USD53bn Varma pension fund is divesting from its European holdings and increasing its exposure to US equities citing an increase in the technology gap between the two equity markets.

The Trump administration is to release 1.5 million respirators from its strategic stockpile to be sent to nursing homes. Hmm ... horse, barn door, bolted!

Reports from the UK suggest that Prime Minister, Boris Johnson, plans to resign in 6 months because of lingering COVID health problems. To be fair, he was never much of a marathon runner to begin with.

An ex-BoJ policy board member has said it is unlikely the central bank will ease rates further.

### A sage piece of advice:

Hillary Clinton says Joe Biden should not concede on election night as this election is going to be an ugly, bitter affair and there is a possibility that a result will not be evident on the night of the vote.

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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	71.66					<b>CAD</b>	0.8708 0.9512
NZD/USD	0.6623	0.0000	-0.0001	-0.0003	0.0000	<b>CHF</b>	0.6016 0.6571
NZD/AUD	0.9155	-0.0001	-0.0004	-0.0007	-0.0003	<b>CNY</b>	4.5601 4.9813
NZD/JPY	70.19	-0.02	-0.09	-0.23	-0.40	<b>DKK</b>	4.1675 4.5524
NZD/EUR	0.5599	-0.0004	-0.0012	-0.0025	-0.0045	<b>FJD</b>	1.4094 1.5395
NZD/GBP	0.5014	-0.0001	-0.0003	-0.0007	-0.0009	<b>HKD</b>	5.1325 5.6065
						<b>KRW</b>	784.91 857.41
AU TWI	61.70					<b>MYR</b>	2.7387 2.9916
AUD/USD	0.7234	0.0001	0.0002	0.0003	0.0002	<b>NOK</b>	5.8860 6.4296
AUD/NZD	1.0924	0.0001	0.0005	0.0009	0.0004	<b>SEK</b>	5.7768 6.3103
AUD/JPY	76.67	-0.01	-0.06	-0.19	-0.40	<b>SGD</b>	0.9043 0.9878
AUD/EUR	0.6116	-0.0003	-0.0010	-0.0023	-0.0047	<b>TWD</b>	19.48 21.28
AUD/GBP	0.5476	0.0000	-0.0001	-0.0004	-0.0008	<b>ZAR</b>	11.1730 12.2049
USD Index	92.94						
EUR/USD	1.1828	0.0007	0.0023	0.0048	0.0095	<b>EQUITIES</b>	
USD/JPY	106.00	-0.03	-0.11	-0.30	-0.59		<b>Index</b>
GBP/USD	1.3209	0.0002	0.0006	0.0014	0.0022	<b>NZX50</b>	12,032
EUR/GBP	0.8955	0.0004	0.0013	0.0027	0.0057	<b>ASX200</b>	6,116
						<b>Dow Jones</b>	28,332
						<b>S&amp;P 500</b>	3,478
						<b>FTSE100</b>	6,046
						<b>DAX 30</b>	13,190
						<b>Nikkei</b>	23,291
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	44.77
						<b>Brent Crude</b>	45.63
						<b>Gold</b>	1,952.73
						<b>Silver</b>	27.41
						<b>CRB Index</b>	161.94

  

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%	0.12%	0.08%
FRA 90d in 3mths	0.32%	0.24%	0.14%	0.09%
FRA 180d in 6mths	0.09%	0.06%	0.17%	0.13%
1 year swap*	0.18%	0.15%	0.13%	0.10%
2 year swap*	0.11%	0.08%	0.16%	0.15%
3 year swap*	0.11%	0.08%	0.20%	0.19%
5 year swap*	0.19%	0.16%	0.40%	0.37%
10 year swap*	0.59%	0.56%	0.85%	0.83%
10 year Govt bond		0.56%		0.95%

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

SOURCE: Bloomberg

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