



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 3 August 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6629	-0.0001
NZD/AUD	0.9293	-0.0005
NZD/JPY	70.16	-0.22
NZD/EUR	0.5628	-0.0024
NZD/GBP	0.5068	-0.0006
NZD/CNH	4.6339	0.0491
AUD/USD	0.7133	0.0002
AUD/EUR	0.6058	-0.0023
EUR/USD	1.1775	0.0049
USD/CNH	7.1227	0.0755
GBP/USD	1.3082	0.0014
EUR/GBP	0.9001	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.11%
2 year swap	0.19%	0.17%
10 year Govt	0.74%	0.82%

New month, new highs

Saturday morning saw the US indices all close near their session highs with the NASDAQ leading the way after Apple, Facebook, and Amazon all outperformed after reporting stellar results.

Whatever you may think about the global economic slowdown, the FAANG stocks love the concept of a lockdown, and with Australia entering a new round of lockdowns and curfews, one should expect more of the same!

In amongst this, the NZD and AUD have opened this morning a touch weaker against the USD at 0.6635 and 0.7130, while the US 10 year bond yield

continued its descent lower to close on Saturday at 0.535%.

Following on from last week's USD weakness, Fitch has affirmed the US's credit rating at AAA, but lowered its outlook to negative from stable as *"the outlook has been revised to negative to reflect the ongoing deterioration in the U.S. public finances and the absence of a credible fiscal consolidation plan."*

One further issue which isn't helping is the next round of COVID stimulus, with the key sticking point separating the White House and congressional Democrats being the level of unemployment assistance, which was set at USD600.00 per week in March. Interestingly, while both sides agree on a second USD1,200.00 one-off payment, they are still deadlocked on unemployment assistance with the White House in favour of reducing federal assistance to USD200.00 per week, while the Democrats have called for it to be kept at the USD600.00 level. With the current stimulus having expired over the weekend, we await developments ...

This is an interesting piece from the *New York Times* that highlights the impact of China's enormous infrastructure stimulus. The building boom is huge with 37 Chinese cities in the process of building 150 new subway lines.

To provide some scope, the country's high speed rail system, which already connects more than 700 towns and cities, is expanding so fast that it annually

buys three times as many pile drivers as the European and American markets combined.

We could definitely do with some of that thinking here, because one of the local banks has just warned of the material risk of a double dip recession from Q4 2020. The rationale is that while the GDP indicators have bounced back vigorously out of lockdown, a number of temporary factors are supporting the bounce. While the indicators may remain on a stable-to-improving trajectory into Q3, September, analysis suggests the mood is likely to turn by November at the latest. By then, some temporary stimulus will have expired and the impacts of a closed border will become more acute.

At the end of last week, we had a Senior Official from the Japanese Ministry of Finance, announce I have *"no comment on forex levels,"* but then announced, *"forex stability is important, (and we) continue to watch forex markets with a sense of urgency."* We then had the Japanese Finance Minister, Aso San, state *"FX stability is important."* What this ultimately means, in its cryptic nature, is that Japanese officials are getting concerned about the rising Yen, as a strong JPY weighs on the Nikkei and reduces the competitiveness of their exporter community. We await the BoJ's intervention in the currency markets!

This week we have President Trump to take action on Chinese software firms, US non-farm payrolls, and central bank policy meetings in the UK and Australia.

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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	72.32					CAD 0.8892	0.9568
NZD/USD	0.6629	0.0000	0.0000	-0.0001	-0.0004	CHF 0.6052	0.6512
NZD/AUD	0.9293	-0.0001	-0.0003	-0.0005	-0.0005	CNY 4.6246	4.9764
NZD/JPY	70.16	-0.02	-0.08	-0.22	-0.42	DKK 4.1904	4.5092
NZD/EUR	0.5628	-0.0004	-0.0011	-0.0024	-0.0047	FJD 1.4050	1.5119
NZD/GBP	0.5068	-0.0001	-0.0002	-0.0006	-0.0011	HKD 5.1374	5.5282
						KRW 791.06	851.25
AU TWI	61.90					MYR 2.8320	3.0475
AUD/USD	0.7133	0.0001	0.0002	0.0002	0.0000	NOK 6.0276	6.4862
AUD/NZD	1.0761	0.0001	0.0003	0.0006	0.0006	SEK 5.8176	6.2602
AUD/JPY	75.45	-0.02	-0.06	-0.19	-0.41	SGD 0.9108	0.9801
AUD/EUR	0.6058	-0.0003	-0.0010	-0.0023	-0.0047	TWD 19.47	20.95
AUD/GBP	0.5453	0.0000	-0.0001	-0.0004	-0.0009	ZAR 11.3143	12.1750
USD Index	93.35						
EUR/USD	1.1775	0.0008	0.0023	0.0049	0.0092	EQUITIES	
USD/JPY	105.77	-0.04	-0.12	-0.31	-0.57		Index
GBP/USD	1.3082	0.0002	0.0006	0.0014	0.0021	NZX50	11,728
EUR/GBP	0.9001	0.0005	0.0013	0.0028	0.0055	ASX200	5,928
						Dow Jones	26,428
						S&P 500	3,271
						FTSE100	5,898
						DAX 30	12,313
						Nikkei	21,710
						COMMODITIES	
							USD
						Dubai Light	42.02
						Brent Crude	43.52
						Gold	1,974.17
						Silver	24.32
						CRB Index	152.62

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	0.32%	0.28%	0.13%	0.09%
FRA 90d in 3mths	0.29%	0.26%	0.16%	0.11%
FRA 180d in 6mths	0.18%	0.15%	0.20%	0.16%
1 year swap*	0.25%	0.22%	0.14%	0.13%
2 year swap*	0.20%	0.18%	0.18%	0.16%
3 year swap*	0.21%	0.18%	0.21%	0.20%
5 year swap*	0.29%	0.26%	0.37%	0.36%
10 year swap*	0.64%	0.61%	0.77%	0.74%
10 year Govt bond		0.73%		0.82%

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

SOURCE: Bloomberg

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