



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 4 August 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6615	-0.0001
NZD/AUD	0.9283	-0.0005
NZD/JPY	70.08	-0.21
NZD/EUR	0.5623	-0.0024
NZD/GBP	0.5059	-0.0006
NZD/CNH	4.6192	0.0512
AUD/USD	0.7126	0.0002
AUD/EUR	0.6057	-0.0023
EUR/USD	1.1764	0.0048
USD/CNH	7.1227	0.0788
GBP/USD	1.3076	0.0014
EUR/GBP	0.8997	0.0027

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.11%
2 year swap	0.20%	0.17%
10 year Govt	0.75%	0.82%

No deal yet

As the gang decided to call it a day, and Mnuchin, Meadows, Pelosi and Schumer retired to their comfy leather chairs for a G&T after a hard day of negotiations, we are still no clearer as to how close, or far apart, the political parties are to finalising the next round of COVID related stimulus.

So, it was left to the Fed members to provide some economic insights ...

The Fed's Kashkari started with a stark warning, stating the US economy would be able to mount a robust recovery only if the virus were brought under control *"if we don't do that, and we just have this*

raging virus spreading throughout the country with flare-ups and local lockdowns for the next year or two, which is entirely possible, we're going to see many, many more business bankruptcies. That's going to be a much slower recovery for all of us."

James Bullard was next up stating, while it is *"important to keep inflation expectations centred at 2.0%,"* there is *"more sympathy for the Fed overshooting 2.0% inflation."*

Finally, we had Richmond Fed leader Barkin stated *"the resurgence in the virus is dampening (the) pace of US economic momentum,"* before adding *"most everyone thought in March, that this would be a couple of months and then done."* We're not too sure where that last quote came from!

The US treasury announced its borrowing requirements for the upcoming quarter will increase to USD947 billion from USD677 billion, while ISM Manufacturing PMI for the US rose to 54.2 in July from 52.6 in the previous month and above market expectations of 53.6.

Alphabet sold USD10 billion of 6-tranche bonds at record low bond yields for corporates. Of the issuance, USD5.75 billion was for ESG or environmental, social and governance purposes, with the issue oversubscribed to the tune of USD31 billion worth of bids for the issues.

Markets wise, it's a little bit of 'steady as she goes' with equities up 1.0-2.0%. Interestingly, the NZD/USD had a

little dip down to its old resistance level at 0.6575, but it has recovered to be at 0.6610, while the AUD is at 0.7125 against the USD.

While it's all a bit US centric this morning, the UK seems to be following Melbourne, with significant surges in new COVID cases in Manchester and London. To fight this, UK Prime Minister, Boris Johnson, has ordered *"nuclear plans"* to prevent another nationwide lockdown and to help agencies respond *"as effectively as possible."*

In Australia the Treasurer, Josh Frydenberg, highlighted that *"the latest Melbourne lockdown will be a significant economic hit."* There were also a couple of second tier data releases from Australia, with the CBA/Markit Manufacturing PMI for July headlining at 54.0 from June's 51.2, and Australia CoreLogic house prices for the month of July falling 0.8%, the same level as in June.

President Trump, in an escalation of the new tech war, has given TikTok's Chinese owner 45 days to reach a deal to sell TikTok to Microsoft

As reported in the *New York Times*, the Manhattan district attorney's office suggested they're investigating President Trump for bank and insurance fraud because the President may have illegally inflated his net worth and the value of his properties to lenders and insurers.

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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	72.19					CAD	0.8853 0.9537
NZD/USD	0.6615	0.0000	0.0000	-0.0001	-0.0004	CHF	0.6070 0.6539
NZD/AUD	0.9283	-0.0001	-0.0003	-0.0005	-0.0006	CNY	4.6176 4.9742
NZD/JPY	70.08	-0.02	-0.08	-0.21	-0.42	DKK	4.1864 4.5097
NZD/EUR	0.5623	-0.0004	-0.0011	-0.0024	-0.0046	FJD	1.4100 1.5189
NZD/GBP	0.5059	-0.0001	-0.0002	-0.0006	-0.0011	HKD	5.1267 5.5226
						KRW	789.15 850.10
AU TWI	61.90					MYR	2.8028 3.0193
AUD/USD	0.7126	0.0001	0.0002	0.0002	0.0000	NOK	6.0344 6.5005
AUD/NZD	1.0772	0.0001	0.0003	0.0006	0.0007	SEK	5.7860 6.2329
AUD/JPY	75.49	-0.02	-0.06	-0.19	-0.40	SGD	0.9103 0.9806
AUD/EUR	0.6057	-0.0004	-0.0010	-0.0023	-0.0046	TWD	19.47 20.97
AUD/GBP	0.5450	0.0000	-0.0001	-0.0004	-0.0009	ZAR	11.3688 12.2469
USD Index	93.52						
EUR/USD	1.1764	0.0008	0.0022	0.0048	0.0091	EQUITIES	
USD/JPY	105.95	-0.04	-0.12	-0.30	-0.57		Index
GBP/USD	1.3076	0.0002	0.0006	0.0014	0.0021	NZX50	11,666
EUR/GBP	0.8997	0.0005	0.0013	0.0027	0.0055	ASX200	5,926
						Dow Jones	26,664
						S&P 500	3,298
						FTSE100	6,033
						DAX 30	12,647
						Nikkei	22,195
						COMMODITIES	
							USD
						Dubai Light	42.17
						Brent Crude	43.90
						Gold	1,975.19
						Silver	24.35
						CRB Index	155.89

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	0.31%	0.24%	0.16%	0.11%
FRA 180d in 6mths	0.19%	0.16%	0.20%	0.16%
1 year swap*	0.25%	0.22%	0.14%	0.13%
2 year swap*	0.22%	0.19%	0.17%	0.16%
3 year swap*	0.22%	0.19%	0.21%	0.20%
5 year swap*	0.30%	0.27%	0.38%	0.36%
10 year swap*	0.65%	0.62%	0.79%	0.77%
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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