



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Thursday 6 August 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6644	-0.0002
NZD/AUD	0.9241	-0.0006
NZD/JPY	70.18	-0.22
NZD/EUR	0.5603	-0.0024
NZD/GBP	0.5068	-0.0006
NZD/CNH	4.6139	0.0536
AUD/USD	0.7190	0.0003
AUD/EUR	0.6063	-0.0022
EUR/USD	1.1859	0.0047
USD/CNH	7.1227	0.0828
GBP/USD	1.3112	0.0012
EUR/GBP	0.9044	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.10%
2 year swap	0.20%	0.16%
10 year Govt	0.74%	0.82%

US stocks glitter with gold

Equities are on fire, again! The NASDAQ is trading above the 11,000 for the first time ever while the S&P500 is just 2% off its record high as (some) companies continue to report better-than-forecast earnings, while Novavax jumped on positive results from its experimental vaccine.

In fact, the NASDAQ has closed at a record for the 31st time this year, but this is just a US story, as European and Asian stocks are still a sea of red which implies those USD600 a week employment cheques are being put to good use. Bernie Madoff must be impressed!

Gold also continues to ascend like a phoenix from the flames, currently trading at USD2,043 an ounce, up 34% on the year on geopolitical concerns and the prospects of further stimulus.

And a certain Mr Trump was piling petrol on to those equity flames 'speculating' about Friday's non-farm payroll numbers. He stated *"based on all the numbers we're getting, you'll have a big number on Friday. Last two months we set a record on the job numbers. And now we will have another big job number on Friday. But we are heading definitely (for) a V?"*

In the 'real' world it is slightly different, as was summed up by Fed member, Robert Kaplan, who highlighted the *"resurgence of (the) virus has muted or slowed a rapid recovery."* To be fair though, the data continues to be mixed. Private payroll numbers showed US businesses hired just 167 thousand workers in July, compared with a revised 4.3 million increase in June, and way below market expectations of a 1.5 million rise. Against this, July ISM Services PMI expanded at its fast pace since early 2019, jumping to 58.1 in July 2020 from 57.1 in June, way above market expectations of 55.0.

While the equity and gold markets have been extremely busy, FX and bond markets have been a little more subdued. The USD index eased 0.5% which saw the NZD and AUD firm a touch against the USD to 0.6645 and 0.7190 respectively. And talking of firming, the US 10 year yield has recovered to 0.55%.

Mohamed El-Erian, chief economic adviser at Allianz, says he does not expect stocks to revisit their March lows.

Due to concerns over COVID-19, Joe Biden will not travel to Milwaukee to accept the Democratic nomination. The Democratic National Convention will now be entirely online.

Ahead of the BoE tonight, UK press report that Chancellor Sunak may hike rates on the UK's 'most valuable' properties.

NZ jobs data, good but bad

The New Zealand Q2 employment numbers were a bit of a head scratcher yesterday. Despite the lockdown, the official unemployment rate decreased to 4.0% from 4.2% while the number of people receiving state unemployment benefits increased by 39,000! By all accounts, due to the lockdown in April, those people without a job couldn't look for work, and if they couldn't look for work, weren't counted as unemployed. With that kind of counting, anyone could pass NCEA maths!

The underutilisation rate, those wanting to work more hours, hit a record at 12%, up from 10.4%. Overall employment fell by 11,000 and 37,000 people left the workforce. Clearly we'll chalk this one up as a COVID anomaly and sit on our hands for another 3 months until we get Q3's stats.

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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	72.11					CAD 0.8820	0.9544
NZD/USD	0.6644	0.0000	0.0000	-0.0002	-0.0005	CHF 0.6037	0.6533
NZD/AUD	0.9241	-0.0001	-0.0003	-0.0006	-0.0008	CNY 4.6084	4.9869
NZD/JPY	70.18	-0.02	-0.08	-0.22	-0.42	DKK 4.1744	4.5173
NZD/EUR	0.5603	-0.0004	-0.0011	-0.0024	-0.0046	FJD 1.4093	1.5250
NZD/GBP	0.5068	-0.0001	-0.0002	-0.0006	-0.0011	HKD 5.1491	5.5720
						KRW 788.07	852.80
AU TWI	61.70					MYR 2.7921	3.0214
AUD/USD	0.7190	0.0001	0.0002	0.0003	0.0001	NOK 5.9498	6.4385
AUD/NZD	1.0821	0.0001	0.0004	0.0007	0.0009	SEK 5.7602	6.2333
AUD/JPY	75.94	-0.02	-0.06	-0.18	-0.40	SGD 0.9103	0.9851
AUD/EUR	0.6063	-0.0003	-0.0010	-0.0022	-0.0045	TWD 19.53	21.14
AUD/GBP	0.5483	0.0000	-0.0001	-0.0003	-0.0007	ZAR 11.5162	12.4621
USD Index	92.87						
EUR/USD	1.1859	0.0008	0.0022	0.0047	0.0090	EQUITIES	
USD/JPY	105.63	-0.03	-0.11	-0.29	-0.57		Index
GBP/USD	1.3112	0.0002	0.0005	0.0012	0.0019	NZX50	11,758
EUR/GBP	0.9044	0.0005	0.0014	0.0028	0.0055	ASX200	6,001
						Dow Jones	27,202
						S&P 500	3,324
						FTSE100	6,105
						DAX 30	12,660
						Nikkei	22,515
						COMMODITIES	
							USD
						Dubai Light	44.15
						Brent Crude	45.16
						Gold	2,037.95
						Silver	26.96
						CRB Index	157.95

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%	0.12%	0.08%
FRA 90d in 3mths	0.29%	0.26%	0.15%	0.10%
FRA 180d in 6mths	0.19%	0.16%	0.20%	0.16%
1 year swap*	0.25%	0.22%	0.14%	0.11%
2 year swap*	0.22%	0.19%	0.17%	0.15%
3 year swap*	0.22%	0.20%	0.19%	0.19%
5 year swap*	0.31%	0.28%	0.36%	0.34%
10 year swap*	0.66%	0.64%	0.77%	0.75%
10 year Govt bond		0.72%		0.82%

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

SOURCE: Bloomberg

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