



MARKET ALERT

Friday 7 August 2020 | www.bancorptreasury.com

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6685 | -0.0002 |
| NZD/AUD | 0.9235 | -0.0006 |
| NZD/JPY | 70.56 | -0.23 |
| NZD/EUR | 0.5630 | -0.0025 |
| NZD/GBP | 0.5088 | -0.0006 |
| NZD/CNH | 4.6420 | 0.0541 |
| AUD/USD | 0.7239 | 0.0002 |
| AUD/EUR | 0.6096 | -0.0022 |
| EUR/USD | 1.1875 | 0.0048 |
| USD/CNH | 7.1227 | 0.0834 |
| GBP/USD | 1.3140 | 0.0012 |
| EUR/GBP | 0.9037 | 0.0028 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 0.25% | 0.25% |
| 90 day bills | 0.30% | 0.10% |
| 2 year swap | 0.20% | 0.15% |
| 10 year Govt | 0.78% | 0.85% |

‘Twas the night before non-farms, and all was quiet

Another terrible jobless claims number but, taking the positives, with ‘just’ 1.2 million filing for unemployment against an expectation of 1.4 million, it was the largest drop in claims in almost two months. Continuing jobless claims decreased to 16.1 million in the week ended 25 July, well below market forecasts of 16.7 million.

The BoE left rates unchanged at 0.10%, with the members voting 9-0, and the asset purchase program remaining at GBP745 billion. The press release noted that the BoE will continue to monitor the situation closely, but they stand ready to

adjust monetary policy accordingly. On a positive note, higher frequency indicators imply that UK spending has recovered significantly, with projections assuming that the direct impact of the virus will dissipate gradually. UK housing market activity appears to have returned closer to normal levels and, in this environment, the BoE does not intend to tighten policy until there is clear evidence that significant progress has been made in eliminating spare capacity and the 2.00% inflation target is sustainable. The risks remain skewed to the downside however, with Governor Bailey expressing a pessimistic tone by warning that parts of the economy are ‘not viable’, and significant job losses continuing to be announced.

As US equities once again ground out incremental gains, led by Apple recording new highs, European equities slumped as mining and energy producers lagged. Gold climbed above USD2,050 an ounce in a fifth straight day of gains, while the yield on 10 year Treasuries decreased two basis points to 0.54%. The USD index is now at levels not seen since May 2018, with the NZD and AUD firming to 0.6680 and 0.7235 against the USD.

While the USD index continues to fall, cracks are starting to show in some of the emerging currencies. The Turkish lira hit a record low overnight as interventions by state banks failed to keep a lid on TRY depreciation. The USD/TRY weakened 3% to 7.2667 on news that the central bank will gradually reduce targeted liquidity measures. In fact, the central

bank has delivered 1,575 basis points of interest-rate cuts in the last 12 months, driving inflation adjusted borrowing costs to below zero.

Dallas Fed President, Steven Kaplan, warned he “*still believes in healthy rate of Q3 and Q4 growth but (it) won’t be as pronounced.*”

Australian Prime Minister, Scott Morrison, announced the latest COVID outbreak will cost the economy AUD7-9 billion in the September quarter and will drive unemployment into double digits.

This is how you do it

Los Angeles will cut water and power to those homes and businesses that host unauthorised gatherings.

Tic-for-tack? Facebook has taken down a post by President Trump after the company said it violated its rules against sharing misinformation about COVID-19. As a result of this, Twitter has banned the President until he removes the misinformation.

Dr Fauci, the leading US immunologist, expects tens of millions of coronavirus vaccine doses at the start of 2021 ... which is very impressive when one acknowledges there currently isn’t a vaccine.

With the ink on the divorce not yet dry, young Jeff Bezos sold 600,000 of Amazon shares in the first 2 days of August for USD1.9 billion. The poor boy only has 54.9 million shares left ... roughly USD176 billion if you want to do the maths!

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

Friday 7 August 2020 | www.bancorptreasury.com

| FX | Spot | FECs (mid) | | | | Spot Mid | |
|-----------------------|--------|--------------------|---------------|------------------|---------------|--------------------|-----------------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... |
| NZ TWI | 72.50 | | | | | CAD | 0.8891 0.9627 |
| NZD/USD | 0.6685 | 0.0000 | -0.0001 | -0.0002 | -0.0004 | CHF | 0.6083 0.6587 |
| NZD/AUD | 0.9235 | -0.0001 | -0.0003 | -0.0006 | -0.0006 | CNY | 4.6485 5.0335 |
| NZD/JPY | 70.56 | -0.03 | -0.09 | -0.23 | -0.43 | DKK | 4.1946 4.5421 |
| NZD/EUR | 0.5630 | -0.0004 | -0.0011 | -0.0025 | -0.0047 | FJD | 1.4173 1.5347 |
| NZD/GBP | 0.5088 | -0.0001 | -0.0003 | -0.0006 | -0.0010 | HKD | 5.1811 5.6103 |
| | | | | | | KRW | 791.71 857.30 |
| AU TWI | 61.80 | | | | | MYR | 2.7818 3.0122 |
| AUD/USD | 0.7239 | 0.0001 | 0.0002 | 0.0002 | 0.0000 | NOK | 6.0003 6.4973 |
| AUD/NZD | 1.0828 | 0.0001 | 0.0004 | 0.0007 | 0.0008 | SEK | 5.8100 6.2913 |
| AUD/JPY | 76.40 | -0.02 | -0.07 | -0.19 | -0.41 | SGD | 0.9152 0.9910 |
| AUD/EUR | 0.6096 | -0.0003 | -0.0010 | -0.0022 | -0.0046 | TWD | 19.66 21.29 |
| AUD/GBP | 0.5509 | 0.0000 | -0.0001 | -0.0003 | -0.0007 | ZAR | 11.6452 12.6099 |
| USD Index | 92.84 | | | | | | |
| EUR/USD | 1.1875 | 0.0008 | 0.0022 | 0.0048 | 0.0092 | EQUITIES | |
| USD/JPY | 105.55 | -0.03 | -0.12 | -0.30 | -0.57 | | Index |
| GBP/USD | 1.3140 | 0.0002 | 0.0005 | 0.0012 | 0.0017 | NZX50 | 11,765 |
| EUR/GBP | 0.9037 | 0.0004 | 0.0013 | 0.0028 | 0.0058 | ASX200 | 6,042 |
| | | | | | | Dow Jones | 27,387 |
| | | | | | | S&P 500 | 3,346 |
| | | | | | | FTSE100 | 6,027 |
| | | | | | | DAX 30 | 12,592 |
| | | | | | | Nikkei | 22,418 |
| | | | | | | | |
| | | | | | | COMMODITIES | |
| | | | | | | | USD |
| | | | | | | Dubai Light | 43.78 |
| | | | | | | Brent Crude | 45.16 |
| | | | | | | Gold | 2,063.72 |
| | | | | | | Silver | 28.83 |
| | | | | | | CRB Index | 157.84 |
| | | | | | | | |
| 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 | | 0.20% | 0.17% | 0.20% | 0.16% | | |
| 1 year swap* | | 0.25% | 0.22% | 0.13% | 0.12% | | |
| 2 year swap* | | 0.21% | 0.18% | 0.16% | 0.15% | | |
| 3 year swap* | | 0.21% | 0.18% | 0.20% | 0.19% | | |
| 5 year swap* | | 0.30% | 0.28% | 0.36% | 0.35% | | |
| 10 year swap* | | 0.66% | 0.64% | 0.77% | 0.76% | | |
| 10 year Govt bond | | | 0.76% | | 0.85% | | |

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

SOURCE: Bloomberg

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.