



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 7 September 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6719	-0.0003
NZD/AUD	0.9216	-0.0008
NZD/JPY	71.38	-0.25
NZD/EUR	0.5672	-0.0027
NZD/GBP	0.5063	-0.0008
NZD/CNH	4.5939	0.0534
AUD/USD	0.7289	0.0003
AUD/EUR	0.6152	-0.0024
EUR/USD	1.1848	0.0051
USD/CNH	7.1227	0.0825
GBP/USD	1.3255	0.0016
EUR/GBP	0.8938	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.09%
2 year swap	0.06%	0.13%
10 year Govt	0.59%	0.89%

Stronger data predominantly ignored

Friday's non-farm payrolls number saw 1.371 million jobs added to the US economy in August, bringing the overall unemployment rate down to 8.4%. The headline figure was slightly below market forecasts of 1.4 million and the July number was revised down slightly to 1.734 million. Currently, payrolls are 11.5 million below their pre pandemic levels following the loss of 22 million jobs in March and April.

Government employment accounted for 25% of the gains (344k) in August, largely reflecting temporary hiring for

the 2020 Census, while retail trade added 249k jobs as the economy slowly opens up. Average hourly earnings also saw a solid jump to 0.4% on the month, and gained 4.7% on the year.

Financial markets then got a further boost post the number when Fed Chair, Jerome Powell, stated *"we think that the economy's going to need low interest rates, which support economic activity, for an extended period of time. It will be measured in years."*

On the political front, Charles Evans, President of the Chicago Fed, warned *"partisan politics threatens as a very significant downside risk,"* although Democrat House Speaker, Nancy Pelosi, and Treasury Secretary, Steven Mnuchin, have tentatively agreed to a short term spending bill to avoid a government shutdown at the end of September.

So, with all of this good news markets rallied strongly right? No, they didn't! Friday's overnight session saw a continuation of the previous sessions weakness as global equities were a sea of red in what was a volatile session. Interestingly, bonds also saw strong selling pressure as the US 10 year yield jumped to 0.72%, while oil and gasoline prices were hit as well, falling 3-4%.

Currencies though were very quiet with the NZD/USD at 0.6710 and the AUD/USD at 0.7285

It is not a surprise given the lockdown, but New Zealand's Q2 building works contracted 22.4%, which was better than the forecast 30% fall.

Mr Orr gave a speech over the weekend that included the usual rhetoric that the RBNZ has additional tools, including negative wholesale interest rates and direct funding to bank. Interestingly, he did acknowledge that low rates push up asset prices although he is conscious of the wealth gap.

Australia continues to be a land of contradictions as ANZ suggests 15k mortgage holders fear they can't pay their home loans, while retail sales data for July showed a solid jump to +3.2%, an improvement on June's +2.7% gain.

Germany's August construction PMI data saw another contraction, falling to 48.0 from 49.7, while July's factory orders increased +2.8% on the month, quite a bit less than the +5.0% forecast.

The French finance minister, Bruno Le Maire, made some positive remarks stating that the *"recession is not as bad as initially forecast."* That must be why the government recently announced the 'French Relaunch' EUR100 billion stimulus plan?!

COVID not going anywhere

Finally, a COVID update. The number of people infected in the world hit 26.3 million over the weekend, of which at least 868 thousand have died and 17.5 million have recovered. In terms of new cases, in the last 24 hours we saw 36.2k in the US, Brazil reported 43.7k, while India hit a new record of 83.3k cases.

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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	72.47					CAD	0.8780 0.9527
NZD/USD	0.6719	-0.0001	-0.0002	-0.0003	0.0001	CHF	0.6141 0.6663
NZD/AUD	0.9216	-0.0001	-0.0004	-0.0008	-0.0002	CNY	4.5984 4.9895
NZD/JPY	71.38	-0.04	-0.11	-0.25	-0.41	DKK	4.2200 4.5790
NZD/EUR	0.5672	-0.0004	-0.0013	-0.0027	-0.0046	FJD	1.4191 1.5398
NZD/GBP	0.5063	-0.0001	-0.0004	-0.0008	-0.0009	HKD	5.2078 5.6508
						KRW	798.04 865.93
AU TWI	62.00					MYR	2.7892 3.0265
AUD/USD	0.7289	0.0001	0.0002	0.0003	0.0003	NOK	5.9908 6.5004
AUD/NZD	1.0851	0.0002	0.0005	0.0009	0.0002	SEK	5.8688 6.3681
AUD/JPY	77.46	-0.03	-0.09	-0.20	-0.43	SGD	0.9171 0.9951
AUD/EUR	0.6152	-0.0004	-0.0011	-0.0024	-0.0049	TWD	19.75 21.43
AUD/GBP	0.5499	-0.0001	-0.0001	-0.0004	-0.0008	ZAR	11.1551 12.1040
USD Index	92.72						
EUR/USD	1.1848	0.0008	0.0024	0.0051	0.0100	EQUITIES	
USD/JPY	106.27	-0.05	-0.14	-0.32	-0.63		Index
GBP/USD	1.3255	0.0003	0.0006	0.0016	0.0025	NZX50	11,824
EUR/GBP	0.8938	0.0004	0.0014	0.0028	0.0058	ASX200	5,926
						Dow Jones	28,133
						S&P 500	3,427
						FTSE100	5,799
						DAX 30	12,843
						Nikkei	23,205
						COMMODITIES	
							USD
						Dubai Light	41.97
						Brent Crude	42.66
						Gold	1,933.19
						Silver	26.88
						CRB Index	159.01

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.30%	0.26%	0.09%	0.09%
90 day bank bills	0.32%	0.28%	0.11%	0.07%
FRA 90d in 3mths	0.28%	0.24%	0.13%	0.08%
FRA 180d in 6mths	0.02%	-0.01%	0.15%	0.11%
1 year swap*	0.15%	0.11%	0.11%	0.10%
2 year swap*	0.07%	0.04%	0.14%	0.13%
3 year swap*	0.08%	0.05%	0.17%	0.17%
5 year swap*	0.16%	0.13%	0.35%	0.34%
10 year swap*	0.56%	0.53%	0.88%	0.86%
10 year Govt bond		0.58%		0.89%

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

SOURCE: Bloomberg

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