



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Wednesday 1 July 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6454	-0.0004
NZD/AUD	0.9353	-0.0007
NZD/JPY	69.68	-0.28
NZD/EUR	0.5745	-0.0029
NZD/GBP	0.5209	-0.0009
NZD/CNH	4.5630	0.0404
AUD/USD	0.6901	0.0001
AUD/EUR	0.6142	-0.0027
EUR/USD	1.1235	0.0051
USD/CNH	7.1227	0.0665
GBP/USD	1.2391	0.0015
EUR/GBP	0.9067	0.0030

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.11%
2 year swap	0.21%	0.19%
10 year Govt	0.93%	0.87%

## The best quarter ever

Well, since 1998 if we want to be factual.

US stocks are rallying into the close to record their best quarterly performance in decades as investors, *“welcomed reopening efforts, fiscal and monetary stimulus, and shrugged off fears of second wave of COVID-19 infections.”*

In reality though, as COVID-19 fully impacted the markets in mid March, followed by central bankers and Finance Ministers implementing huge amounts of monetary and fiscal stimulus in late March and April, the sheer amount of stimulus within the financial system drove these markets into an unprecedented rally. But make no

mistake ... there is still a long way to go and any talk of a ‘V’ shaped recovery is just wrong.

But the markets like being long risk as US equities rallied 1.0%–2.0% and Treasury yields rose. The USD edged lower and the risk on market sentiment pushed the NZD/USD through 0.6450 after bouncing off its support at 0.6400 overnight. The AUD/USD hovers around 0.6900 and the NZD/AUD is getting comfortable in the 0.9200–0.9400 range as it sits around 0.9350 at the time of writing.

Overnight, Beijing asserted its control on Hong Kong with the implementation of the new security laws, and the US immediately came out swinging. Commerce Secretary, Wilbur Ross, stated the US’s preferential treatment of Hong Kong has been suspended, while Secretary of State, Mike Pompeo, stated he will impose the same restrictions on defence exports from Hong Kong as it has on China.

In the US, Treasury Secretary, Steven Mnuchin, and Fed Chair, Jerome Powell, were speaking before the House Financial Services panel. Mnuchin stated he was, *“working with House and Senate on additional financial relief by end of July.”* While Jerome Powell added, *“the economy has entered an important new phase sooner than expected. (The) path forward extraordinarily uncertain, hinges on the virus. Full recovery [is] unlikely until people [are] confident it’s safe.”*

NZ businesses are a little more optimistic as all outlook indicators, bar commercial construction and ease of credit, increased according to the *ANZ Business Outlook* survey for June. Business confidence increased to -34.4 from a net -41.8, while own activity outlook increased to -25.9 from a net -38.7. Nearly half the respondents are intending to lay off staff and construction is now the most negative sector in the economy.

## Forget the bats, it’s all about the pigs!

BBC gave a heads up on a new strain of flu, a new virus threat identified in China that has the potential to become another pandemic. It has only recently emerged, and is carried by pigs, but it can infect humans as it has ‘all the hallmarks’ of being highly adapted to infect humans.

We hadn’t previously heard of RBA Deputy Governor, Guy Debelle, but he is well and truly making a name for himself now, stating *“rate hikes are years away.”* He then added *“liquidity operations are working as intended,”* and that the Australian economy will *“require considerable policy support for quite some time to come.”* Interestingly, he mentioned that *“over 60 institutions have drawn on RBA’s term funding facility, but (there) could be a large pipeline of bankruptcies building. No need for negative rates in Australia now.”*

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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	71.73					<b>CAD</b>	0.8761 0.9367
NZD/USD	0.6454	0.0000	-0.0001	-0.0004	-0.0009	<b>CHF</b>	0.6115 0.6538
NZD/AUD	0.9353	-0.0001	-0.0004	-0.0007	-0.0010	<b>CNY</b>	4.5600 4.8757
NZD/JPY	69.68	-0.02	-0.10	-0.28	-0.55	<b>DKK</b>	4.2809 4.5772
NZD/EUR	0.5745	-0.0004	-0.0012	-0.0029	-0.0057	<b>FJD</b>	1.4038 1.5010
NZD/GBP	0.5209	-0.0001	-0.0003	-0.0009	-0.0017	<b>HKD</b>	5.0022 5.3485
						<b>KRW</b>	774.33 827.94
AU TWI	60.00					<b>MYR</b>	2.7410 2.9308
AUD/USD	0.6901	0.0001	0.0002	0.0001	-0.0002	<b>NOK</b>	6.2123 6.6423
AUD/NZD	1.0692	0.0001	0.0004	0.0008	0.0012	<b>SEK</b>	6.0143 6.4307
AUD/JPY	74.51	-0.02	-0.08	-0.24	-0.51	<b>SGD</b>	0.8994 0.9617
AUD/EUR	0.6142	-0.0003	-0.0011	-0.0027	-0.0054	<b>TWD</b>	19.08 20.40
AUD/GBP	0.5569	0.0000	-0.0001	-0.0006	-0.0012	<b>ZAR</b>	11.2036 11.9793
USD Index	97.38						
EUR/USD	1.1235	0.0008	0.0023	0.0051	0.0096	<b>EQUITIES</b>	
USD/JPY	107.98	-0.04	-0.14	-0.37	-0.70		<b>Index</b>
GBP/USD	1.2391	0.0003	0.0007	0.0015	0.0023	<b>NZX50</b>	11,451
EUR/GBP	0.9067	0.0004	0.0014	0.0030	0.0061	<b>ASX200</b>	5,898
						<b>Dow Jones</b>	25,847
						<b>S&amp;P 500</b>	3,093
						<b>FTSE100</b>	6,170
						<b>DAX 30</b>	12,311
						<b>Nikkei</b>	22,288
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	40.49
						<b>Brent Crude</b>	41.35
						<b>Gold</b>	1,780.21
						<b>Silver</b>	18.20
						<b>CRB Index</b>	146.52

  

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%	0.17%	0.12%
FRA 180d in 6mths	0.20%	0.17%	0.22%	0.18%
1 year swap*	0.26%	0.22%	0.16%	0.13%
2 year swap*	0.23%	0.20%	0.20%	0.18%
3 year swap*	0.24%	0.21%	0.24%	0.22%
5 year swap*	0.36%	0.33%	0.44%	0.43%
10 year swap*	0.75%	0.72%	0.89%	0.87%
10 year Govt bond		0.91%		0.87%

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

SOURCE: Bloomberg

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