



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 10 July 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6569	-0.0003
NZD/AUD	0.9435	-0.0008
NZD/JPY	70.40	-0.27
NZD/EUR	0.5819	-0.0029
NZD/GBP	0.5210	-0.0009
NZD/CNH	4.5962	0.0443
AUD/USD	0.6962	0.0002
AUD/EUR	0.6168	-0.0025
EUR/USD	1.1287	0.0050
USD/CNH	7.1227	0.0708
GBP/USD	1.2608	0.0015
EUR/GBP	0.8952	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.31%	0.10%
2 year swap	0.22%	0.15%
10 year Govt	1.01%	0.90%

Four more years

According to the Primary Model, President Trump has a 91.0% chance of winning the November 2020 election! The Primary Model is the work of professor Helmut Norpoth, a political scientist and professor at Stony Brook University, and he has correctly predicted five out of six elections since 1996. In fact, Norpoth says his model would have correctly predicted the outcome for 25 of the 27 elections since 1912.

Right on cue, Joe Biden was talking about the end of shareholder capitalism, raising US corporate tax to 28.0% (from 21.0%), union power, and digital taxes on the

likes of Amazon. How's that Wall street fund raiser going to go now Joe?

Initial claims showed 1.3 million American workers filed for unemployment for the week, a touch below forecasts of 1.4 million. Looking at the bigger picture though, 50 million Americans have now filed claims since 21 March!

The US Supreme Court has firmly rejected President Trump's argument for sweeping presidential immunity and ruled that NY prosecutors can obtain his financial records, although his financial records will be blocked to Congress. The ruling is a defeat for Mr. Trump but his records will be shielded from public scrutiny until after the election, although it does open up the possibility that he may get prosecuted once the election is over.

Fear crept back into financial markets as the resurgence in COVID-19 cases weighs on market sentiment. This led to a sell-off in risky assets as US equities dipped 1.0–2.0% while the 10 year Treasury bond yield fell 5bps to 0.61%. European equities joined the decline however Chinese equities continued their 8 day rally. Oil dipped below USD40 a barrel and gold holds firm at USD1800 an ounce.

The NZD/USD reached 0.6600 overnight however the risk-off move edged the USD higher; the NZD/USD found support at 0.6550 and sits around 0.6570 at the time of writing.

A thawing in tensions?

A senior Chinese diplomat, Wang Yi, has said that *“China-US relations need a more positive message. China-US should not seek to change each other but should jointly explore ways for peaceful coexistence. China will not and cannot become another America.”*

China's FX reserves have increased to USD3.1 trillion in June, a 0.3% increase of USD10.6 billion on May's total. This increase has coincided with a slight weakening in the USD. These reserves may come in handy should the White House follow through on rumours it is seeking to undermine the USD/HKD peg.

Chinese June inflation showed CPI increasing to 2.7% on the year (expected 2.5%), driven by a lift in food prices. Their PPI also fell -3.7% on the year (expected -3.2%).

According to the Chinese embassy, in a classic case of, 'look, we didn't start it,' the Chinese embassy in Kazakhstan has announced there is an 'unknown pneumonia with a death rate that is much higher than coronavirus' sweeping the country.

A little bit late — but better late than never — New Zealand is to review its relationship settings with Hong Kong reviewing policy on extradition, export controls and travel advice. Adding that they are deeply concerned by the Hong Kong national security legislation. China will be quaking in their boots.

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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	72.58					CAD	0.8929 0.9464
NZD/USD	0.6569	0.0000	-0.0001	-0.0003	-0.0008	CHF	0.6177 0.6547
NZD/AUD	0.9435	-0.0001	-0.0004	-0.0008	-0.0010	CNY	4.5939 4.8692
NZD/JPY	70.40	-0.03	-0.10	-0.27	-0.53	DKK	4.3345 4.5943
NZD/EUR	0.5819	-0.0004	-0.0012	-0.0029	-0.0056	FJD	1.4153 1.5001
NZD/GBP	0.5210	-0.0001	-0.0003	-0.0009	-0.0016	HKD	5.0907 5.3958
						KRW	786.21 833.34
AU TWI	60.60					MYR	2.8031 2.9711
AUD/USD	0.6962	0.0001	0.0002	0.0002	-0.0001	NOK	6.2156 6.5881
AUD/NZD	1.0599	0.0001	0.0004	0.0008	0.0011	SEK	6.0625 6.4258
AUD/JPY	74.62	-0.02	-0.07	-0.23	-0.49	SGD	0.9147 0.9695
AUD/EUR	0.6168	-0.0003	-0.0011	-0.0025	-0.0053	TWD	19.36 20.52
AUD/GBP	0.5522	0.0000	-0.0001	-0.0005	-0.0011	ZAR	11.0614 11.7244
USD Index	96.77						
EUR/USD	1.1287	0.0008	0.0023	0.0050	0.0095	EQUITIES	
USD/JPY	107.19	-0.04	-0.13	-0.36	-0.68		Index
GBP/USD	1.2608	0.0002	0.0006	0.0015	0.0023	NZX50	11,441
EUR/GBP	0.8952	0.0004	0.0014	0.0029	0.0059	ASX200	5,955
						Dow Jones	25,707
						S&P 500	3,150
						FTSE100	6,050
						DAX 30	12,489
						Nikkei	22,529
						COMMODITIES	
							USD
						Dubai Light	43.25
						Brent Crude	42.30
						Gold	1,803.31
						Silver	18.65
						CRB Index	149.17
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		0.33%	0.29%	0.12%	0.08%		
FRA 90d in 3mths		0.32%	0.24%	0.15%	0.10%		
FRA 180d in 6mths		0.21%	0.18%	0.20%	0.16%		
1 year swap*		0.27%	0.24%	0.14%	0.12%		
2 year swap*		0.24%	0.21%	0.16%	0.14%		
3 year swap*		0.25%	0.23%	0.20%	0.19%		
5 year swap*		0.37%	0.35%	0.37%	0.36%		
10 year swap*		0.77%	0.75%	0.80%	0.79%		
10 year Govt bond			0.99%		0.90%		

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