



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 13 July 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6572	-0.0003
NZD/AUD	0.9451	-0.0008
NZD/JPY	70.23	-0.27
NZD/EUR	0.5816	-0.0029
NZD/GBP	0.5202	-0.0009
NZD/CNH	4.6074	0.0434
AUD/USD	0.6954	0.0002
AUD/EUR	0.6152	-0.0025
EUR/USD	1.1303	0.0051
USD/CNH	7.1227	0.0695
GBP/USD	1.2639	0.0016
EUR/GBP	0.8943	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.31%	0.11%
2 year swap	0.22%	0.15%
10 year Govt	0.97%	0.86%

Trump wears a mask!

As US states continue to record increases in COVID-19 cases, President Trump has worn a mask in public for the first time during a visit to a military hospital.

And while experts have announced that the virus can survive in the air for more than an hour, the UK have taken a very British approach when a government official said the *“Government shouldn’t make face masks compulsory in English shops — but it was “good manners” to wear one.”*

Even Goldman Sachs have announced that additional measures will be needed to cope with the coronavirus outbreaks

in the US. Thank heavens the President is leading the way by wearing a mask!

In a sign that even the White House accepts they can’t keep writing cheques forever, Larry Kudlow, the President’s Economic advisor, stated, *“the US cannot keep providing \$2-\$3 trillion in relief every few months.”*

Meanwhile, disagreements between leaders at the Federal Reserve and Treasury Department in recent months has limited the impact of the USD600bn Main Street Lending Program. Designed to help support businesses through the early stages of the coronavirus pandemic, the differences are centred on how the loans are actually structured.

Ahead of Friday’s EU summit, the Netherlands’ is pushing to cut the size of the EUR750bn fiscal stimulus package.

Markets-wise, US equity markets finished last week in positive territory after a study showed Gilead’s COVID-19 treatment reduced the mortality rate by 62%.

While the gains were relatively small, in the region of 1%, the FX and Bond markets were largely subdued as the NZD and AUD continue to tread water around the 0.6580 and 0.6950 levels respectively against the USD, while the US 10-year yield flatlined at 0.63%. Interestingly, the biggest moves came in the oil markets with WTI and Brent up 2% on the Gilead news on hopes of a recovery in international travel.

In Australia, the Victoria chief medical officer says he expects new virus cases to

plateau in the next week, which is good considering they had 274 new cases in the last 24 hours.

The Chinese state pension fund was reportedly selling stocks, just days after state media fed an already exuberant Chinese stock market some extra fuel with a report that fostering a *“healthy bull market”* is important.

The UK retail industry has warned of higher prices if no UK-EU Brexit trade deal is reached.

New Zealand retail card spending increased +16.3% for the month of June (15.0% was expected). Meanwhile, the NZ government’s 11-month budget deficit is below forecast, NZD1.58bn smaller in fact, as tax revenue exceeded forecasts by around NZD1.5bn producing a YTD deficit of NZD15.97bn.

The week ahead

Q2 earnings season gets underway in the US with updates expected from major US health care companies and banks. Meanwhile, EU leaders will meet towards the end of the week to discuss, yet again, the latest version of their recovery plan, while the ECB and BoJ will meet. Data-wise we have US retail sales and industrial production, UK jobs report and monthly GDP, Chinese Q2 GDP numbers, and, from Australia, employment, business and consumer data. And of course, COVID-19 numbers that are spiralling out of control.

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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	72.64					CAD	0.8935 0.9453
NZD/USD	0.6572	0.0000	-0.0001	-0.0003	-0.0008	CHF	0.6182 0.6541
NZD/AUD	0.9451	-0.0001	-0.0004	-0.0008	-0.0010	CNY	4.6002 4.8674
NZD/JPY	70.23	-0.03	-0.10	-0.27	-0.53	DKK	4.3304 4.5819
NZD/EUR	0.5816	-0.0004	-0.0013	-0.0029	-0.0056	FJD	1.4140 1.4961
NZD/GBP	0.5202	-0.0001	-0.0003	-0.0009	-0.0016	HKD	5.0946 5.3905
						KRW	788.98 834.81
AU TWI	60.30					MYR	2.7994 2.9620
AUD/USD	0.6954	0.0001	0.0002	0.0002	-0.0001	NOK	6.2305 6.5924
AUD/NZD	1.0581	0.0001	0.0005	0.0009	0.0011	SEK	6.0483 6.3996
AUD/JPY	74.33	-0.02	-0.07	-0.23	-0.49	SGD	0.9146 0.9677
AUD/EUR	0.6152	-0.0004	-0.0011	-0.0025	-0.0053	TWD	19.42 20.55
AUD/GBP	0.5502	0.0000	-0.0001	-0.0005	-0.0012	ZAR	11.0330 11.6738
USD Index	96.65						
EUR/USD	1.1303	0.0008	0.0023	0.0051	0.0096	EQUITIES	
USD/JPY	106.89	-0.04	-0.14	-0.36	-0.68		Index
GBP/USD	1.2639	0.0003	0.0007	0.0016	0.0024	NZX50	11,395
EUR/GBP	0.8943	0.0005	0.0014	0.0029	0.0058	ASX200	5,919
						Dow Jones	26,075
						S&P 500	3,185
						FTSE100	6,095
						DAX 30	12,634
						Nikkei	22,291
						COMMODITIES	
							USD
						Dubai Light	43.25
						Brent Crude	43.24
						Gold	1,797.42
						Silver	18.69
						CRB Index	150.30
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%	0.13%	0.09%		
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*		0.26%	0.24%	0.14%	0.12%		
2 year swap*		0.23%	0.20%	0.16%	0.14%		
3 year swap*		0.24%	0.22%	0.20%	0.19%		
5 year swap*		0.36%	0.34%	0.37%	0.34%		
10 year swap*		0.75%	0.73%	0.79%	0.76%		
10 year Govt bond			0.95%		0.86%		

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

SOURCE: Bloomberg

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