



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Tuesday 14 July 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6542	-0.0003
NZD/AUD	0.9424	-0.0007
NZD/JPY	70.16	-0.27
NZD/EUR	0.5766	-0.0028
NZD/GBP	0.5211	-0.0009
NZD/CNH	4.5792	0.0440
AUD/USD	0.6943	0.0003
AUD/EUR	0.6119	-0.0025
EUR/USD	1.1347	0.0051
USD/CNH	7.1227	0.0700
GBP/USD	1.2555	0.0017
EUR/GBP	0.9037	0.0028

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.31%	0.11%
2 year swap	0.22%	0.17%
10 year Govt	0.98%	0.90%

## This COVID situation is getting a bit out of hand

Amid a continued rise in locally transmitted COVID-19 cases in the city, and with officials warning that the situation is “getting a bit out of hand,” the Hong Kong government are due to hold meetings on increasing virus measures.

And talking of getting out of hand, the Trump administration has rejected China’s expansive claims in the South China Sea, reversing a previous policy of not taking sides in territorial disputes in the region. Hmmm ... is there an election due?

There is in New Zealand, but don’t worry about the Muller issue, there isn’t one!

Todd Muller has just resigned as leader of the opposition.

The Fed President, Robert Kaplan, sees the US economy shrinking 4.5-5.0% by end-2020, and this kind of explains why. The US budget deficit widened to USD864 billion in June, up from USD8 billion twelve months ago, and slightly up on market expectations of a USD863 billion gap. This was the largest monthly deficit on record, mainly due to COVID related spending.

This is an interesting dilemma that will play out globally in the coming months. Overnight Canada announced they intend to extend their wage subsidy measures until year end. Australia have announced they will extend their programme beyond September, while the US have announced they won’t. Which way will the New Zealand Government fall on wage extensions?

In an interesting turn of events, the Dow is up 0.3% while the S&P 500 and Nasdaq have eased off their all-time highs, with the S&P 500 down 0.7% and Nasdaq down 1.8%. Both the NZD/USD and AUD/USD are down, currently sitting respectively at the 0.6540 and 0.6940 levels.

## Who said the age of print is over

The WSJ reports that US moves against the Hong Kong dollar peg are unlikely ... for now!

Quite possibly in a case of 1 + 1 =3, the WSJ also reported Iran and China are working towards a partnership that

would insulate both countries from US external pressures. Ultimately, China would benefit from Iranian oil, while Iran would get Chinese investment.

The Japanese press have reported that Toyota will resume automobile production in all of its manufacturing bases around the world for the first time since February. Got to get that share price closer to Tesla’s!

In the UK, *The Times* newspaper has announced that Prime Minister, Boris Johnson, is set to make the wearing of masks compulsory within all indoor settings. Currently masks are compulsory on public transport, in hospitals, and in Scotland. Michael Gove, a UK Minister, warned in *The Times* that Brexit is coming “regardless of the type of agreement we reach with the EU.”

Finally, not to be outdone, the UK’s *Telegraph* has reported that Chancellor, Rishi Sunak, is preparing to introduce tax cuts and an overhaul of planning laws with up to 10 new ‘freeports’ within a year of the UK leaving the EU.

New Zealand’s June food prices rose +0.5% on the month, following May’s -0.8% fall.

Fitch has affirmed Italy’s credit rating at BBB- with a stable outlook.

One from the past, the price of EU carbon credits has soared to 14-year high.

## Redskins no more

The NFL team, the Washington Redskins, have announced they will change their name ... any suggestions that rhyme with Trump?

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# DAILY RATES

Tuesday 14 July 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	72.34					<b>CAD</b> 0.8902	0.9447
NZD/USD	0.6542	0.0000	0.0000	-0.0003	-0.0008	<b>CHF</b> 0.6159	0.6536
NZD/AUD	0.9424	-0.0001	-0.0004	-0.0007	-0.0010	<b>CNY</b> 4.5777	4.8577
NZD/JPY	70.16	-0.03	-0.10	-0.27	-0.53	<b>DKK</b> 4.2922	4.5547
NZD/EUR	0.5766	-0.0004	-0.0012	-0.0028	-0.0055	<b>FJD</b> 1.4109	1.4972
NZD/GBP	0.5211	-0.0001	-0.0004	-0.0009	-0.0016	<b>HKD</b> 5.0706	5.3808
						<b>KRW</b> 787.32	835.49
AU TWI	60.60					<b>MYR</b> 2.7960	2.9671
AUD/USD	0.6943	0.0001	0.0002	0.0003	-0.0001	<b>NOK</b> 6.1868	6.5653
AUD/NZD	1.0612	0.0001	0.0004	0.0008	0.0012	<b>SEK</b> 6.0142	6.3821
AUD/JPY	74.45	-0.02	-0.07	-0.23	-0.48	<b>SGD</b> 0.9094	0.9650
AUD/EUR	0.6119	-0.0004	-0.0011	-0.0025	-0.0051	<b>TWD</b> 19.29	20.47
AUD/GBP	0.5530	-0.0001	-0.0002	-0.0005	-0.0011	<b>ZAR</b> 11.0122	11.6858
USD Index	96.56						
EUR/USD	1.1347	0.0009	0.0024	0.0051	0.0095	<b>EQUITIES</b>	
USD/JPY	107.25	-0.05	-0.14	-0.37	-0.69		<b>Index</b>
GBP/USD	1.2555	0.0004	0.0008	0.0017	0.0025	<b>NZX50</b>	11,435
EUR/GBP	0.9037	0.0005	0.0013	0.0028	0.0058	<b>ASX200</b>	5,978
						<b>Dow Jones</b>	26,086
						<b>S&amp;P 500</b>	3,159
						<b>FTSE100</b>	6,176
						<b>DAX 30</b>	12,800
						<b>Nikkei</b>	22,785
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	42.87
						<b>Brent Crude</b>	42.29
						<b>Gold</b>	1,801.19
						<b>Silver</b>	19.03
						<b>CRB Index</b>	149.40

  

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%	0.16%	0.11%
FRA 180d in 6mths	0.21%	0.18%	0.22%	0.18%
1 year swap*	0.27%	0.24%	0.15%	0.13%
2 year swap*	0.23%	0.21%	0.17%	0.16%
3 year swap*	0.25%	0.23%	0.21%	0.20%
5 year swap*	0.38%	0.35%	0.40%	0.39%
10 year swap*	0.78%	0.75%	0.82%	0.81%
10 year Govt bond		0.96%		0.90%

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

SOURCE: Bloomberg

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