



MARKET ALERT

Thursday 16 July 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6573	-0.0003
NZD/AUD	0.9383	-0.0008
NZD/JPY	70.28	-0.27
NZD/EUR	0.5760	-0.0028
NZD/GBP	0.5221	-0.0009
NZD/CNH	4.5896	0.0427
AUD/USD	0.7005	0.0002
AUD/EUR	0.6139	-0.0025
EUR/USD	1.1411	0.0050
USD/CNH	7.1227	0.0685
GBP/USD	1.2590	0.0016
EUR/GBP	0.9064	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.31%	0.11%
2 year swap	0.21%	0.17%
10 year Govt	0.95%	0.87%

It's a recovery Jim, but not as we know it

The Fed's beige book report saw an uptick in activity across all 12 of its districts as *"economic activity increased... but remained well below where it was prior to the COVID-19 pandemic,"* before adding the *"outlooks remained highly uncertain, as contacts grappled with how long the COVID-19 pandemic would continue and the magnitude of its economic implications."*

In support of this increase, industrial production in the US increased 5.4% in June, beating market expectations of a 4.3% increase and continuing the

momentum of May's 1.4% increase. June's increase was the largest gain since December 1959, as many businesses resumed operations following COVID-related restrictions. But there was a warning: while manufacturing output climbed 7.2%, it was still 11.1% below its pre-pandemic levels.

US import prices also increased, up 1.4% in June, against an expected increase of 1.0%, the largest monthly increase March 2012 led by a record rise in fuel prices.

The Bank of Canada left its benchmark interest rate unchanged at 0.25%, as was expected. While the Canadian economy is starting to recover, the outlook is, *"extremely uncertain given the unpredictability of the course of the pandemic."* As a result of this uncertainty, policymakers will maintain their existing QE programme, purchasing CAD5 billion of government bonds per-week.

Banks are surviving, but only just!

Goldman Sachs continued the stellar trend of improved bank performance by posting revenues of USD13.3 billion for the quarter, exceeding expectations by more than USD3.5 billion. Thanks to the Fed's actions, bond trading revenue surged almost 150% to USD4.24 billion, while equity trading revenue rose 46% to USD2.94 billion. JPMorgan Chase and Citigroup also posted strong trading and advisory results that helped them beat

profit estimates, with JPMorgan markets revenue jumping 79% to a record USD9.7 billion.

Apple has won a major court battle with the EU after judges quashed a European Commission order for Apple to pay GBP14.3bn of back taxes.

Anyone got any yellow paint?

Just when you thought gold was a safe haven, think again! Nasdaq listed Kingold Jewellery are being investigated by Chinese officials after allegations it used fake gold bars to secure loans from Chinese financial institutions. Questions were raised after its 'gold' was sent for quality checks after the company failed to pay interest on a loan. By all accounts, its 'gold' consisted mainly of copper alloy.

Despite this, gold strengthened 0.1% to USD1,811.98 an ounce, its highest level in almost nine years. Equities also had a good session as optimism grew over a COVID-19 treatment after Moderna said its vaccine candidate had produced a *"robust"* immune-system response across all 45 patients in a trial. European indices rallied 1-2% while US indices were flat to +1%. Overnight we have the ECB meeting and, which leads into a meeting of European Finance Minister over the weekend. The Japanese yen strengthened 0.3%, the largest climb in two weeks, and crude oil is up 0.7%. Currently, the NZD and AUD sit at the 0.6570 and 0.7000 levels against the USD.

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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	0.8880	0.9463
NZD/USD	0.6573	0.0000	-0.0001	-0.0003	-0.0008	CHF	0.6211	0.6619
NZD/AUD	0.9383	-0.0001	-0.0004	-0.0008	-0.0011	CNY	4.5933	4.8953
NZD/JPY	70.28	-0.03	-0.09	-0.27	-0.53	DKK	4.2888	4.5708
NZD/EUR	0.5760	-0.0004	-0.0013	-0.0028	-0.0054	FJD	1.4147	1.5078
NZD/GBP	0.5221	-0.0001	-0.0003	-0.0009	-0.0017	HKD	5.0951	5.4301
						KRW	789.89	841.83
AU TWI	60.80					MYR	2.7935	2.9771
AUD/USD	0.7005	0.0001	0.0002	0.0002	-0.0001	NOK	6.1007	6.5018
AUD/NZD	1.0658	0.0002	0.0005	0.0009	0.0012	SEK	5.9618	6.3538
AUD/JPY	74.90	-0.02	-0.07	-0.22	-0.48	SGD	0.9133	0.9733
AUD/EUR	0.6139	-0.0003	-0.0011	-0.0025	-0.0051	TWD	19.39	20.67
AUD/GBP	0.5564	0.0000	-0.0001	-0.0005	-0.0012	ZAR	10.9136	11.6312
USD Index	96.06							
EUR/USD	1.1411	0.0008	0.0023	0.0050	0.0095	EQUITIES		
USD/JPY	106.94	-0.04	-0.13	-0.35	-0.67			Index
GBP/USD	1.2590	0.0002	0.0007	0.0016	0.0025	NZX50		11,611
EUR/GBP	0.9064	0.0004	0.0014	0.0029	0.0057	ASX200		6,053
						Dow Jones		26,870
						S&P 500		3,226
						FTSE100		6,293
						DAX 30		12,931
						Nikkei		22,946
						COMMODITIES		
								USD
						Dubai Light		42.69
						Brent Crude		43.63
						Gold		1,811.72
						Silver		19.44
						CRB Index		149.98

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	0.33%	0.29%	0.13%	0.09%
FRA 90d in 3mths	0.30%	0.25%	0.16%	0.11%
FRA 180d in 6mths	0.21%	0.18%	0.21%	0.17%
1 year swap*	0.27%	0.24%	0.15%	0.13%
2 year swap*	0.23%	0.20%	0.18%	0.16%
3 year swap*	0.24%	0.22%	0.23%	0.21%
5 year swap*	0.36%	0.34%	0.41%	0.40%
10 year swap*	0.75%	0.72%	0.84%	0.82%
10 year Govt bond		0.93%		0.87%

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

SOURCE: Bloomberg

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