



MARKET ALERT

Friday 17 July 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6533	-0.0003
NZD/AUD	0.9373	-0.0008
NZD/JPY	70.11	-0.26
NZD/EUR	0.5741	-0.0028
NZD/GBP	0.5206	-0.0009
NZD/CNH	4.5714	0.0426
AUD/USD	0.6970	0.0002
AUD/EUR	0.6125	-0.0025
EUR/USD	1.1381	0.0050
USD/CNH	7.1227	0.0686
GBP/USD	1.2550	0.0015
EUR/GBP	0.9068	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.31%	0.11%
2 year swap	0.21%	0.16%
10 year Govt	0.93%	0.88%

There's no good news in this data

Data out of the US overnight was a mixed bag that has, ultimately, weighed on markets.

US retail sales surged 7.5% for the month of June, with May also revised up a record 18.2%, surging past market forecasts for a 5% gain.

Against this, the number of unemployment claims remained at 1.30 million for the week, above expectations for 1.25 million, but little changed from the revised 1.31 million claims in the prior week. This didn't support equity markets.

Ahead of the weekend's meeting of European Finance Ministers, the ECB left monetary policy unchanged as policymakers undertook a wait and see approach to assess the effectiveness of their monetary stimulus measures. This didn't support equity markets.

There was also contractionary employment data out of Australia, as employment increased with +210.8k jobs added in June. This smashed market expectations of 100k, and the prior contraction of -227.7k. Against this, the unemployment rate rose to 7.4% (expected 7.3%, prior 7.1%) as workers rejoined the labour force, highlighted by the participation rate which increased to 64.0% from 62.9%. All up, the number of unemployed Australians is just under 1 million, the highest it has ever been. This didn't support equity markets.

A fourth major city in China has announced tighter property rules to curb speculation as Chinese new home prices rose +0.6% in June, and +4.9% on the year. This came out at the same time as Chinese Q2 GDP, which printed at +11.5% for the quarter (expected at +9.6%) and 3.2% for the year (expected 2.4%). Strangely, this didn't support equity markets.

New Zealand inflation for the June quarter of 2020, saw a -0.5% contraction, slightly better than the expected -0.6%, but well down on the previous quarters +0.8%. Annualised, it was up 1.5%, ahead of the expected 1.3% but well down from the prior quarter's 2.5%.

Not to be outdone, the Reserve Bank of New Zealand ("RBNZ") published its own Q2 core inflation data which, in an amazing coincidence, is a lot closer to its target 2.0%, printing at +1.8% for the year. According to the RBNZ model, core inflation excludes one off or highly volatile price movements, so remember, if the price of avocados reaches twenty dollars, it's not inflationary, it's just 'volatile'!

If you didn't know, everything is red. US and European indices are broadly down a percent, while the Shanghai index was down 4.5%!

The NZD/USD and AUD/USD are slightly down, currently sitting at 0.6530 and 0.6970 respectively, with the US 10 year yield at 0.62%.

Following on from yesterday's Twitter hack, with the offer of free bitcoin, this morning the US, UK and Canadian governments have all accused Russian state intelligence of hacking international COVID-19 research centres.

A word of warning

Meanwhile, IMF chief, Kristalina Georgieva, played with a straight bat with the comment: "rising global debt levels are a serious concern."

Finally, while the six giant US banks made record profits from their trading and advising divisions, it should be noted that they have cut USD35 billion from their profits to brace themselves for a tsunami of souring loans, offering the confession "they don't really know how bad it's about to get."

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.20					CAD	0.8868	0.9461
NZD/USD	0.6533	0.0000	-0.0001	-0.0003	-0.0008	CHF	0.6175	0.6588
NZD/AUD	0.9373	-0.0001	-0.0004	-0.0008	-0.0010	CNY	4.5664	4.8719
NZD/JPY	70.11	-0.02	-0.09	-0.26	-0.51	DKK	4.2740	4.5599
NZD/EUR	0.5741	-0.0004	-0.0012	-0.0028	-0.0054	FJD	1.4059	1.4999
NZD/GBP	0.5206	-0.0001	-0.0003	-0.0009	-0.0017	HKD	5.0651	5.4039
						KRW	787.41	840.08
AU TWI	60.80					MYR	2.7980	2.9852
AUD/USD	0.6970	0.0001	0.0002	0.0002	-0.0001	NOK	6.0819	6.4887
AUD/NZD	1.0669	0.0001	0.0004	0.0009	0.0012	SEK	5.9397	6.3370
AUD/JPY	74.80	-0.02	-0.07	-0.21	-0.46	SGD	0.9099	0.9708
AUD/EUR	0.6125	-0.0003	-0.0011	-0.0025	-0.0050	TWD	19.28	20.56
AUD/GBP	0.5554	0.0000	-0.0001	-0.0005	-0.0012	ZAR	10.9565	11.6894
USD Index	96.35							
EUR/USD	1.1381	0.0008	0.0023	0.0050	0.0093	EQUITIES		
USD/JPY	107.32	-0.04	-0.13	-0.34	-0.65			Index
GBP/USD	1.2550	0.0002	0.0006	0.0016	0.0025	NZX50		11,505
EUR/GBP	0.9068	0.0004	0.0014	0.0028	0.0056	ASX200		6,011
						Dow Jones		26,735
						S&P 500		3,212
						FTSE100		6,251
						DAX 30		12,875
						Nikkei		22,770
						COMMODITIES		
								USD
						Dubai Light		42.76
						Brent Crude		43.28
						Gold		1,796.08
						Silver		19.12
						CRB Index		149.55

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%	0.15%	0.10%
FRA 180d in 6mths	0.21%	0.18%	0.20%	0.16%
1 year swap*	0.27%	0.25%	0.14%	0.12%
2 year swap*	0.22%	0.20%	0.17%	0.15%
3 year swap*	0.24%	0.22%	0.21%	0.21%
5 year swap*	0.36%	0.33%	0.41%	0.40%
10 year swap*	0.74%	0.72%	0.83%	0.81%
10 year Govt bond		0.91%		0.88%

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

SOURCE: Bloomberg

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