



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Monday 6 July 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6521	-0.0005
NZD/AUD	0.9409	-0.0008
NZD/JPY	70.10	-0.29
NZD/EUR	0.5797	-0.0030
NZD/GBP	0.5225	-0.0009
NZD/CNH	4.6085	0.0398
AUD/USD	0.6931	0.0001
AUD/EUR	0.6163	-0.0027
EUR/USD	1.1247	0.0051
USD/CNH	7.1227	0.0660
GBP/USD	1.2482	0.0013
EUR/GBP	0.9011	0.0031

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.31%	0.11%
2 year swap	0.21%	0.18%
10 year Govt	0.96%	0.90%

## Don't worry, be happy

As we enter the second half of 2020, the world economy is still deeply weighed down by the coronavirus pandemic with a full recovery now all but ruled-out for this year, and even a 2021 comeback dependent upon a lot going right. As the World Bank's chief economist, Carmen Reinhart, said in June, *"there is a real danger of confusing rebound with recovery!"*

This point can be highlighted by Fitch, the most active of the ratings agencies, who have downgraded a record 33 sovereign ratings in the first half of the year and has placed another 40 on 'negative' outlook. Sovereign credit ratings that Fitch has downgraded include the UK and Hong Kong.

But deals are still happening, with Berkshire Hathaway buying Dominion Energy's natural gas assets. The conglomerate is spending USD4 billion to buy the natural gas transmission and storage assets, and, with the assumption of debt, the deal totals almost USD10 billion.

It's the first major purchase from a certain Mr. Buffett since the pandemic and greatly increases his footprint in the natural gas business with Berkshire Hathaway Energy increasing its interstate natural gas transmissions within the US to 18% of total supply.

## In terms of the weekend's headlines

China are to introduce 12% tariffs on Australian beef exports. The tariff will be in place until the end of 2020 as is part of the China-Australia trade agreement. By all accounts, this was not an unexpected development and it's not been triggered by the heightening of China-Australian strains.

The Global Times, the mouthpiece for the Chinese government, has announced China may further loosen monetary policy to bolster growth *"according to PBoC officials, China is not likely to change its trend of monetary policy easing soon. Monetary policy in the coming months will continue to serve the "Six Priorities" and remain appropriately loose and flexible."*

The German parliament has formally backed the Bundesbank's participation

in the ECB's bond buying programme ending the court standoff.

The EU is targeting the tech companies again like Google, Amazon and Facebook with new laws at curbing their alleged anticompetitive behaviour, making them pay more taxes, and compelling them to shoulder more responsibility for illegal content.

Iran has announced that a fire that broke out at one of their nuclear facilities last week caused significant damage.

Having disbanded the National Security Council's pandemic response office in 2018, the Trump administration are now planning to open a new coronavirus crisis pandemic office.

Get ready for the next political flash point in the China-US military rivalry as both militaries make their presence felt in Bashi Channel, a busy waterway south of Taiwan.

In terms of the second half of the calendar year, much will ultimately depend on the continuing spread of COVID-19. The World Health Organization warns the worst of the pandemic is still to come as cases top 11 million and numerous US states and various countries continued to record higher mortality rates. Expect further market gyrations throughout the second half of the year.

Thanks heavens, in amongst all the doom and gloom, there is some good news ... Kanye West has announced he's going to run for President in 2024!

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# DAILY RATES

Monday 6 July 2020 | www.bancorptreasury.com

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	72.43					<b>CAD</b> 0.8836	0.9392
NZD/USD	0.6521	0.0000	-0.0002	-0.0005	-0.0010	<b>CHF</b> 0.6163	0.6550
NZD/AUD	0.9409	-0.0001	-0.0004	-0.0008	-0.0011	<b>CNY</b> 4.6162	4.9064
NZD/JPY	70.10	-0.03	-0.10	-0.29	-0.55	<b>DKK</b> 4.3181	4.5896
NZD/EUR	0.5797	-0.0004	-0.0013	-0.0030	-0.0059	<b>FJD</b> 1.4153	1.5042
NZD/GBP	0.5225	-0.0001	-0.0004	-0.0009	-0.0018	<b>HKD</b> 5.0528	5.3704
						<b>KRW</b> 783.91	833.19
AU TWI	60.50					<b>MYR</b> 2.7981	2.9740
AUD/USD	0.6931	0.0001	0.0001	0.0001	-0.0003	<b>NOK</b> 6.1841	6.5728
AUD/NZD	1.0629	0.0002	0.0005	0.0009	0.0012	<b>SEK</b> 6.0853	6.4678
AUD/JPY	74.49	-0.02	-0.08	-0.25	-0.50	<b>SGD</b> 0.9093	0.9664
AUD/EUR	0.6163	-0.0004	-0.0011	-0.0027	-0.0055	<b>TWD</b> 19.29	20.51
AUD/GBP	0.5553	0.0000	-0.0002	-0.0005	-0.0012	<b>ZAR</b> 11.1134	11.8121
USD Index	97.17						
EUR/USD	1.1247	0.0008	0.0023	0.0051	0.0097	<b>EQUITIES</b>	
USD/JPY	107.48	-0.04	-0.14	-0.37	-0.68		<b>Index</b>
GBP/USD	1.2482	0.0002	0.0006	0.0013	0.0023	<b>NZX50</b>	11,559
EUR/GBP	0.9011	0.0005	0.0014	0.0031	0.0061	<b>ASX200</b>	6,058
						<b>Dow Jones</b>	25,827
						<b>S&amp;P 500</b>	3,130
						<b>FTSE100</b>	6,157
						<b>DAX 30</b>	12,528
						<b>Nikkei</b>	22,306
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	42.68
						<b>Brent Crude</b>	42.80
						<b>Gold</b>	1,758.65
						<b>Silver</b>	17.74
						<b>CRB Index</b>	149.31

  

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%	0.27%	0.16%	0.11%
FRA 180d in 6mths	0.21%	0.18%	0.21%	0.17%
1 year swap*	0.26%	0.23%	0.15%	0.13%
2 year swap*	0.22%	0.20%	0.19%	0.17%
3 year swap*	0.25%	0.22%	0.23%	0.22%
5 year swap*	0.37%	0.35%	0.42%	0.40%
10 year swap*	0.78%	0.75%	0.85%	0.84%
10 year Govt bond		0.94%		0.90%

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

SOURCE: Bloomberg

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.