



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 7 July 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6558	-0.0005
NZD/AUD	0.9405	-0.0009
NZD/JPY	70.42	-0.29
NZD/EUR	0.5799	-0.0030
NZD/GBP	0.5250	-0.0010
NZD/CNH	4.6004	0.0430
AUD/USD	0.6973	0.0002
AUD/EUR	0.6165	-0.0026
EUR/USD	1.1310	0.0051
USD/CNH	7.1227	0.0705
GBP/USD	1.2493	0.0015
EUR/GBP	0.9053	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.31%	0.10%
2 year swap	0.23%	0.18%
10 year Govt	0.99%	0.92%

Buffett sets the direction

We all know the day the GFC ended, it was the day Warren Buffett invested USD10 billion into Goldman Sachs, and with the weekend's purchase of Dominion Energy, have we hit the same watershed moment?

Well, the financial markets certainly think so. Asian equity markets started the rally with the Shanghai index surging 5.8% and all other indices up 1-2%. Oil rallied after Saudi Arabia hiked its official selling price, although the 10 year US Treasury yield remained stable at 0.68%. The NZD and AUD are steady at the Australasian close at 0.6560 and 0.6975 against the USD.

ECB President, Christine Lagarde, said the Eurozone faces up to 2 years of downward pressure on prices before a turnaround that will accelerate the digital transformation of the economy. Amongst this, the ECB will keep monetary policy exceptionally loose as, *"the inflation dynamic will necessarily be impacted, probably with a disinflationary, deflationary aspect at first, and then an inflation dynamic."*

Meanwhile, Francois Villeroy de Galhau, Governor of the Bank of France, announced the pandemic has permanently changed European economic policy as, *"the first lesson is that what we presented as exceptional, provisional weapons will be long lasting"* before adding *"the non-conventional becomes the quasi-conventional, and that helps us in the current crisis."*

US ISM Non-Manufacturing PMI had the biggest monthly percentage-point increase on record, jumping to 57.1 in June from 45.4 in the previous month and easily beating market forecasts of 50.1.

German new manufacturing orders surged 10.4% in May, the second highest ever, while April's numbers were revised up to 26.2% to be the highest ever! The Eurozone's retail trade increased a record 17.8%, recovering from two consecutive months of record falls and compared to market expectations of a 15.0% gain.

The Economist has released a piece stating Oxford University is leading the vaccine race as they are already in

3 late-stage trials, meanwhile President Trump has tweeted that US coronavirus cases are increasing because of more testing. How silly of us to think it was because of a premature open!

BoE Governor, Andrew Bailey, has warned banks of the challenges negative interest rates could bring as time would be needed to alter computer systems, update contracts and so forth, as a move into negative territory would be a *"significant operational undertaking for firms."* Sound familiar?

China's Global Times have been busy with another exposé warning Canada that any *"meddling in HK to backfire on Canada's economy,"* while the Australian press has been warning to expect more tariffs from China.

Goldman's getting bullish on Europe, forecasting Euro-zone GDP to grow nearly 25% in the next 2 years. Meanwhile, CitiBank has switched from bearish to neutral on the US economy, looking to buy dips in equities and for the USD to *"probably"* turn negative.

Story of the day

Oil traders thought they had found an edge to tracking oil consumption via Apple's data on human mobility trends. With nearly 75.0% of all oil consumption via vehicle movements, the theory was Apple's data would give an insight into upcoming consumption. Unfortunately, Apple's data only tracks information searched in maps, rather than actual distance travelled!

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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	72.50					CAD 0.8880	0.9442
NZD/USD	0.6558	0.0000	-0.0002	-0.0005	-0.0010	CHF 0.6176	0.6567
NZD/AUD	0.9405	-0.0002	-0.0005	-0.0009	-0.0013	CNY 4.6037	4.8952
NZD/JPY	70.42	-0.03	-0.10	-0.29	-0.56	DKK 4.3204	4.5940
NZD/EUR	0.5799	-0.0004	-0.0013	-0.0030	-0.0059	FJD 1.4214	1.5114
NZD/GBP	0.5250	-0.0001	-0.0004	-0.0010	-0.0018	HKD 5.0825	5.4043
						KRW 782.23	831.76
AU TWI	60.70					MYR 2.8029	2.9804
AUD/USD	0.6973	0.0001	0.0002	0.0002	-0.0002	NOK 6.1630	6.5532
AUD/NZD	1.0633	0.0002	0.0005	0.0010	0.0014	SEK 6.0623	6.4461
AUD/JPY	74.87	-0.02	-0.07	-0.23	-0.50	SGD 0.9129	0.9707
AUD/EUR	0.6165	-0.0004	-0.0011	-0.0026	-0.0054	TWD 19.32	20.55
AUD/GBP	0.5581	0.0000	-0.0001	-0.0006	-0.0011	ZAR 11.1504	11.8565
USD Index	96.78						
EUR/USD	1.1310	0.0008	0.0023	0.0051	0.0097	EQUITIES	
USD/JPY	107.38	-0.05	-0.13	-0.36	-0.68		Index
GBP/USD	1.2493	0.0003	0.0007	0.0015	0.0022	NZX50	11,656
EUR/GBP	0.9053	0.0005	0.0014	0.0030	0.0061	ASX200	6,015
						Dow Jones	26,287
						S&P 500	3,174
						FTSE100	6,286
						DAX 30	12,733
						Nikkei	22,714
						COMMODITIES	
							USD
						Dubai Light	43.19
						Brent Crude	43.07
						Gold	1,786.01
						Silver	18.28
						CRB Index	149.64

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%	0.12%	0.08%
FRA 90d in 3mths	0.32%	0.24%	0.16%	0.11%
FRA 180d in 6mths	0.21%	0.18%	0.21%	0.17%
1 year swap*	0.28%	0.24%	0.15%	0.13%
2 year swap*	0.24%	0.22%	0.19%	0.17%
3 year swap*	0.26%	0.24%	0.23%	0.22%
5 year swap*	0.39%	0.37%	0.42%	0.40%
10 year swap*	0.80%	0.78%	0.87%	0.85%
10 year Govt bond		0.98%		0.92%

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

SOURCE: Bloomberg

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