



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Monday 10 August 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6607	-0.0002
NZD/AUD	0.9230	-0.0006
NZD/JPY	69.93	-0.22
NZD/EUR	0.5604	-0.0024
NZD/GBP	0.5061	-0.0006
NZD/CNH	4.6045	0.0553
AUD/USD	0.7158	0.0002
AUD/EUR	0.6072	-0.0023
EUR/USD	1.1789	0.0048
USD/CNH	7.1227	0.0860
GBP/USD	1.3071	0.0012
EUR/GBP	0.9019	0.0028

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.11%
2 year swap	0.21%	0.15%
10 year Govt	0.77%	0.83%

## Nonfarms give USD a boost

Markets ended the week with a decided USD strengthening tone. The USD strength saw the NZD/USD swing back below 0.6600, to close the week at 0.6595, while the AUD/USD eased to 0.7157. The strengthening USD theme saw the DXY end the week at 93.40. Despite the USD strength, US stocks closed higher again, the Dow for its sixth straight rise.

The S&P initially saw a fall of nearly 1% on the nonfarms data and USD strength, but roared into the close for its best weekly close since (you guessed it) February. The S&P index is just 1.5% off the all time high.

Continuing the 'better than expected' theme, US July nonfarm payroll figures surprised on the upside with 1.7 million jobs added, beating the expected 1.5 million, although much lower than the previous 4.8 million. Private payrolls were up 1.5 million, however manufacturing payrolls came out poor with 26k versus the 255k expected.

The US unemployment rate decreased to 10.2% versus the expected 10.6% and down from the previous 11.1%.

The seasonal employment of teachers at this time of year was expected to add over 1 million jobs, but this year the figures were much more subdued. According to the Bureau of Labor Statistics: *"Government employment rose by 301,000 in July but is 1.1 million below its February level. Typically, public-sector education employment declines in July (before seasonal adjustment). However, employment declines occurred earlier than usual this year due to the pandemic, resulting in unusually large July increases in local government education (+215,000) and state government education (+30,000) after seasonal adjustment."* That means private sector employment was much stronger than expected.

Canada's employment report was better than expected, adding 418,500 jobs in July, well ahead of the 380,000 expected. Canada's unemployment rate eased from 12.3% to 10.9% in July, however, the number of part time jobs sharply outstripped fulltime jobs,

meaning underutilisation continues to rise. The participation rate also fell, from 64.5% to 64.3%, artificially improving the unemployment rate. According to the Canadian stats department, 5.5 million Canadian workers were affected by the COVID-19 economic shut down which included a 3 million drop in employment and an absence from work of 2.5 million. Employment is back to within 1.3 million of pre-COVID levels, but that's still 1.3 million people out of work.

Sticking with Canada, its Ivey PMI, an aggregate of surveys that represents the whole economy, jumped in July, showing the Canadian economy is getting back on track. However, the fresh 10% tariff slapped on Canadian aluminium exports to its neighbour the USA could see a tit-for-tat retaliation and a dent in recovery numbers.

## Splash the cash

Locally, Labour kicked off its election campaign with an announcement that it will *"roll out a support package to assist businesses in employing up to 40,000 New Zealanders whose employment is impacted by COVID-19. We are revamping and expanding our existing Flexi-Wage scheme."* Under the scheme, Labour will double the value of the wage subsidy to an average of \$7,500.

Let the campaigning begin!

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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	71.91					<b>CAD</b> 0.8834	0.9571
NZD/USD	0.6607	0.0000	-0.0001	-0.0002	-0.0004	<b>CHF</b> 0.6022	0.6525
NZD/AUD	0.9230	-0.0001	-0.0003	-0.0006	-0.0007	<b>CNY</b> 4.5972	4.9809
NZD/JPY	69.93	-0.03	-0.08	-0.22	-0.44	<b>DKK</b> 4.1747	4.5232
NZD/EUR	0.5604	-0.0004	-0.0011	-0.0024	-0.0047	<b>FJD</b> 1.3958	1.5123
NZD/GBP	0.5061	-0.0001	-0.0003	-0.0006	-0.0010	<b>HKD</b> 5.1204	5.5479
						<b>KRW</b> 785.29	850.85
AU TWI	61.90					<b>MYR</b> 2.7881	3.0209
AUD/USD	0.7158	0.0001	0.0002	0.0002	0.0001	<b>NOK</b> 5.9758	6.4747
AUD/NZD	1.0835	0.0001	0.0003	0.0007	0.0008	<b>SEK</b> 5.7843	6.2671
AUD/JPY	75.82	-0.02	-0.07	-0.20	-0.42	<b>SGD</b> 0.9063	0.9820
AUD/EUR	0.6072	-0.0003	-0.0010	-0.0023	-0.0046	<b>TWD</b> 19.40	21.02
AUD/GBP	0.5476	0.0000	-0.0001	-0.0003	-0.0007	<b>ZAR</b> 11.6532	12.6260
USD Index	93.44						
EUR/USD	1.1789	0.0008	0.0022	0.0048	0.0092	<b>EQUITIES</b>	
USD/JPY	105.93	-0.04	-0.12	-0.31	-0.60		<b>Index</b>
GBP/USD	1.3071	0.0002	0.0005	0.0012	0.0018	<b>NZX50</b>	11,647
EUR/GBP	0.9019	0.0004	0.0014	0.0028	0.0058	<b>ASX200</b>	6,005
						<b>Dow Jones</b>	27,433
						<b>S&amp;P 500</b>	3,351
						<b>FTSE100</b>	6,032
						<b>DAX 30</b>	12,675
						<b>Nikkei</b>	22,330
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	43.56
						<b>Brent Crude</b>	44.40
						<b>Gold</b>	2,033.75
						<b>Silver</b>	28.26
						<b>CRB Index</b>	155.98

  

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	0.32%	0.28%	0.13%	0.09%
FRA 90d in 3mths	0.29%	0.26%	0.15%	0.10%
FRA 180d in 6mths	0.19%	0.16%	0.19%	0.15%
1 year swap*	0.25%	0.22%	0.13%	0.12%
2 year swap*	0.22%	0.19%	0.16%	0.15%
3 year swap*	0.22%	0.20%	0.19%	0.19%
5 year swap*	0.31%	0.28%	0.35%	0.34%
10 year swap*	0.66%	0.63%	0.74%	0.72%
10 year Govt bond		0.75%		0.83%

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

SOURCE: Bloomberg

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