



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Tuesday 11 August 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6593	-0.0002
NZD/AUD	0.9220	-0.0005
NZD/JPY	69.85	-0.22
NZD/EUR	0.5615	-0.0025
NZD/GBP	0.5043	-0.0007
NZD/CNH	4.5889	0.0569
AUD/USD	0.7151	0.0002
AUD/EUR	0.6090	-0.0023
EUR/USD	1.1742	0.0048
USD/CNH	7.1227	0.0886
GBP/USD	1.3074	0.0013
EUR/GBP	0.8982	0.0028

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.10%
2 year swap	0.21%	0.16%
10 year Govt	0.78%	0.86%

## Strap in for the RBNZ

The Reserve Bank of New Zealand (“RBNZ”) *Monetary Policy Statement* tomorrow has economists on the edge of their seat as 6 of the 9 surveyed are picking for the LSAP programme to remain at NZD60 billion. Kiwibank are picking an increase to NZD120 billion while ANZ have their money on NZD90 billion. There is the option to purchase foreign bonds as a pseudo-currency intervention.

Recent high frequency economic data suggests that New Zealand has recovered faster and stronger than anyone expected, but with the wage subsidy falling off

next month and inflation expectation indicators pointing to weak inflation, the situation looks to be softening.

## You have to be this high to ride the double dipper

The post lockdown bounce appears to be waning, and the preliminary reading of ANZ’s business confidence figures for August appears to be the first evidence of a double dip recession. Headline confidence tumbled 10 points to -42.4% from -31.8% in July. The Own Activity Index, which tracks how businesses view their own prospects over the next 12 months and is a better proxy for GDP, fell to -17.0% from -8.9%, a level that ANZ called “dire.”

According to the report, and ominously for the economy, near-term employment intentions deteriorated 6 points to a net 21% of firms expecting to cut jobs. About the same net percentage of firms report having fewer staff compared to a year earlier.

Equity markets continued their climb as the S&P500 flirted with its record high before retreating and Chinese equities rose on the back of data showing their economy continues to recover from the pandemic, as consumer prices accelerated. Oil gained and gold had a slight pull back after topping out at USD2,063/oz last week. The USD reached a one week high which pushed the NZD/USD and AUD/USD lower but still trading within their ranges.

One survey out of the UK suggests that up to one third of firms are intending to lay off staff once the furlough scheme comes to an end in October. The expectation is that we could see a large number of job cuts once the fiscal support runs out.

Meanwhile tensions continue to escalate between the two superpowers as Beijing said overnight that it will sanction another 11 Americans in retaliation to the measures imposed by the US last Friday. The US sanctioned Chief Executive Carrie Lam (CEO of Hong Kong) and 10 other Chinese officials last week.

The new executive order signed by Trump over the weekend extends the unemployment benefits of those out of work due to COVID by USD400 per week (down from USD600). The Federal Government will top up the payment by USD300 only if USD100 comes from the state coffers first. California’s Governor has announced the state cannot afford the estimated USD700 million per week it will cost. New York’s Governor also said the state can’t afford it and indicated legal action is coming. The US Treasury secretary, Steven Mnuchin, said that states have more than enough to cover the top up.

Oh, and remember that USD765 million Kodak loan? That’s been put on hold pending a congressional investigation following “recent allegations of wrongdoing.”

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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	71.84					<b>CAD</b>	0.8804 0.9549
NZD/USD	0.6593	0.0000	-0.0001	-0.0002	-0.0004	<b>CHF</b>	0.6035 0.6546
NZD/AUD	0.9220	-0.0001	-0.0003	-0.0005	-0.0006	<b>CNY</b>	4.5900 4.9786
NZD/JPY	69.85	-0.03	-0.09	-0.22	-0.43	<b>DKK</b>	4.1803 4.5341
NZD/EUR	0.5615	-0.0004	-0.0011	-0.0025	-0.0048	<b>FJD</b>	1.4025 1.5213
NZD/GBP	0.5043	-0.0001	-0.0003	-0.0007	-0.0011	<b>HKD</b>	5.1095 5.5420
						<b>KRW</b>	782.25 848.48
AU TWI	61.60					<b>MYR</b>	2.7670 3.0012
AUD/USD	0.7151	0.0000	0.0001	0.0002	0.0001	<b>NOK</b>	5.9583 6.4627
AUD/NZD	1.0847	0.0001	0.0003	0.0006	0.0008	<b>SEK</b>	5.7695 6.2579
AUD/JPY	75.76	-0.02	-0.07	-0.20	-0.42	<b>SGD</b>	0.9058 0.9824
AUD/EUR	0.6090	-0.0004	-0.0011	-0.0023	-0.0048	<b>TWD</b>	19.41 21.05
AUD/GBP	0.5469	-0.0001	-0.0001	-0.0004	-0.0008	<b>ZAR</b>	11.6616 12.6488
USD Index	93.60						
EUR/USD	1.1742	0.0008	0.0022	0.0048	0.0093	<b>EQUITIES</b>	
USD/JPY	105.95	-0.04	-0.12	-0.31	-0.59		<b>Index</b>
GBP/USD	1.3074	0.0002	0.0005	0.0013	0.0020	<b>NZX50</b>	11,683
EUR/GBP	0.8982	0.0005	0.0014	0.0028	0.0057	<b>ASX200</b>	6,110
						<b>Dow Jones</b>	27,793
						<b>S&amp;P 500</b>	3,357
						<b>FTSE100</b>	6,051
						<b>DAX 30</b>	12,688
						<b>Nikkei</b>	22,330
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	43.56
						<b>Brent Crude</b>	44.97
						<b>Gold</b>	2,024.47
						<b>Silver</b>	28.95
						<b>CRB Index</b>	156.76

  

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%	0.12%	0.08%
FRA 90d in 3mths	0.31%	0.23%	0.15%	0.10%
FRA 180d in 6mths	0.22%	0.19%	0.19%	0.15%
1 year swap*	0.25%	0.23%	0.15%	0.11%
2 year swap*	0.22%	0.20%	0.17%	0.15%
3 year swap*	0.22%	0.20%	0.20%	0.19%
5 year swap*	0.31%	0.29%	0.37%	0.35%
10 year swap*	0.67%	0.64%	0.79%	0.77%
10 year Govt bond		0.76%		0.86%

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

SOURCE: Bloomberg

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