



# MARKET ALERT

Monday 31 August 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6732	-0.0003
NZD/AUD	0.9145	-0.0007
NZD/JPY	70.99	-0.23
NZD/EUR	0.5656	-0.0026
NZD/GBP	0.5044	-0.0008
NZD/CNH	4.6180	0.0534
AUD/USD	0.7361	0.0003
AUD/EUR	0.6185	-0.0023
EUR/USD	1.1901	0.0049
USD/CNH	7.1227	0.0820
GBP/USD	1.3348	0.0015
EUR/GBP	0.8916	0.0027

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.29%	0.09%
2 year swap	0.09%	0.14%
10 year Govt	0.63%	1.02%

## Japanese resignation hits the USD

Friday's resignation of Japanese Prime Minister, Shinzo Abe, saw the Nikkei fall 2% and the USD/JPY get hit as concerns mounted around who his successor would be, and what their ability is to drive further structural change and maintain a weakened JPY. President Abe's decision to resign has introduced fresh uncertainty over the sustainability of 'Abenomics' policies. This uncertainty is unlikely to go away in the near-term.

RBNZ Assistant Governor, Christian Hawkesby, announced, "our policy

*approach is in line with the new Fed strategy."*

Hmmm ... I haven't heard the Fed talking about taking rates negative! Okay, he was talking about 'inflation averaging,' which would allow inflation to run above the 2% target after a period of weakness, but first of all, we need inflation!

UK business confidence recovered somewhat from its lows with the Lloyds Business Barometer for August 'only' contracting 14 points following July's -22 fall. And Brexit isn't going to help, after the EU warned Boris Johnson, he has less than two weeks to 'save' post-Brexit trade and security talks. I suspect we're in for another bout of GBP weakness,

As global COVID cases surpass 25 million, global equity markets continued their rally into the weekend and, yes, US indices continued to hit new highs. Apologies if that last line is starting to get a touch repetitive!

The big kicker was in currency land where the USD index fell almost 0.8% to 92.3, levels not seen since May of 2018. The main catalyst was the stronger JPY, but the knock on effects also hit the NZD and AUD, driving them to 0.6740 and 0.7360 respectively against the USD. We also saw bond yields continue to rise as the US 10 year Treasury bond closed at 0.72%

New Zealand's consumer confidence fell 3.9% in August to 100.2, impacted by the increase in lockdown restrictions. This followed July's 0.2% contraction to 104.3.

The EU has paid a EUR336 million down payment to AstraZeneca to secure doses of its 'potential' COVID-19 vaccine.

China has banned beef imports from another Australian firm due to detecting a 'banned' substance.

The US is to seize control of cryptocurrency accounts linked to North Korea that have 'allegedly' hacked and stolen USD1 billion.

China's biggest banks posted their worst profit declines in more than a decade as bad debts ballooned and the government called on them to help backstop the slumping economy. Profits at the four major Chinese banks dropped by at least 10% in H1 2020, while loan loss provisions jumped between 27% and 97%.

## Happy birthday Warren

The Oracle of Omaha turns 90 today

## Interesting fact of the day

US tech stocks are now worth more than the entire European stock market. According to BoA, the US tech sector is worth USD9.1 trillion, which exceeds the combined equity value of the European, UK and Switzerland indices, which total USD8.9 trillion. In 2007 European exchanges were four times the size of US technology stocks.

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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	72.42					<b>CAD</b>	0.8832 0.9657
NZD/USD	0.6732	0.0000	-0.0001	-0.0003	0.0000	<b>CHF</b>	0.6097 0.6667
NZD/AUD	0.9145	-0.0001	-0.0003	-0.0007	-0.0001	<b>CNY</b>	4.6288 5.0616
NZD/JPY	70.99	-0.03	-0.10	-0.23	-0.40	<b>DKK</b>	4.2095 4.6030
NZD/EUR	0.5656	-0.0004	-0.0012	-0.0026	-0.0045	<b>FJD</b>	1.4247 1.5579
NZD/GBP	0.5044	-0.0001	-0.0002	-0.0008	-0.0009	<b>HKD</b>	5.2170 5.7047
						<b>KRW</b>	796.07 870.50
AU TWI	62.30					<b>MYR</b>	2.7889 3.0496
AUD/USD	0.7361	0.0001	0.0002	0.0003	0.0001	<b>NOK</b>	5.9189 6.4722
AUD/NZD	1.0935	0.0001	0.0004	0.0008	0.0002	<b>SEK</b>	5.8129 6.3564
AUD/JPY	77.62	-0.02	-0.08	-0.20	-0.43	<b>SGD</b>	0.9144 0.9999
AUD/EUR	0.6185	-0.0004	-0.0011	-0.0023	-0.0048	<b>TWD</b>	19.83 21.69
AUD/GBP	0.5515	-0.0001	0.0000	-0.0004	-0.0008	<b>ZAR</b>	11.1708 12.2152
USD Index	92.37						
EUR/USD	1.1901	0.0008	0.0023	0.0049	0.0096	<b>EQUITIES</b>	
USD/JPY	105.45	-0.04	-0.14	-0.31	-0.60		<b>Index</b>
GBP/USD	1.3348	0.0003	0.0002	0.0015	0.0023	<b>NZX50</b>	12,094
EUR/GBP	0.8916	0.0004	0.0016	0.0027	0.0057	<b>ASX200</b>	6,074
						<b>Dow Jones</b>	28,654
						<b>S&amp;P 500</b>	3,508
						<b>FTSE100</b>	5,964
						<b>DAX 30</b>	13,033
						<b>Nikkei</b>	22,883
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	43.87
						<b>Brent Crude</b>	45.81
						<b>Gold</b>	1,963.78
						<b>Silver</b>	27.48
						<b>CRB Index</b>	162.98

  

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	0.31%	0.27%	0.11%	0.07%
FRA 90d in 3mths	0.28%	0.24%	0.13%	0.08%
FRA 180d in 6mths	0.07%	0.04%	0.16%	0.12%
1 year swap*	0.17%	0.13%	0.11%	0.10%
2 year swap*	0.10%	0.07%	0.15%	0.13%
3 year swap*	0.11%	0.08%	0.19%	0.18%
5 year swap*	0.22%	0.19%	0.40%	0.38%
10 year swap*	0.65%	0.62%	0.93%	0.90%
10 year Govt bond		0.62%		1.02%

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

SOURCE: Bloomberg

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