



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Wednesday 5 August 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6625	-0.0002
NZD/AUD	0.9248	-0.0006
NZD/JPY	70.00	-0.22
NZD/EUR	0.5614	-0.0024
NZD/GBP	0.5069	-0.0006
NZD/CNH	4.6206	0.0527
AUD/USD	0.7164	0.0003
AUD/EUR	0.6071	-0.0022
EUR/USD	1.1801	0.0048
USD/CNH	7.1227	0.0815
GBP/USD	1.3070	0.0013
EUR/GBP	0.9029	0.0028

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.10%
2 year swap	0.20%	0.16%
10 year Govt	0.75%	0.83%

## Don't worry, be happy

As World Health Organisation head, Dr Tedros Adhanom Ghebreyesus, said work on an 'effective' vaccine is under way in several countries but *"there's no silver bullet — and there might never be."*

But don't worry, US Vice President Pence announced on Fox (where else?) that a vaccine *"could well be available for this fall."*

House Speaker Pelosi does not expect a deal on the coronavirus economic relief package this week saying *"it is my hope it could be this week, but probably not until next week."* Meanwhile, Mnuchin told lawmakers *"a stimulus deal is no closer than it was a week ago,"* while Schumer

said *"negotiations are moving in the right direction."* Someone must be telling the truth!

Chicago Fed Reserve President, Charles 'call me Chuck' Evans, was on the newswires stating he sees the US jobless rate at 9.5% by the end of 2020, and 6.5% at the end of 2021, but added further pessimistic forecasts are 'equally' likely. On the economy, monetary policy is *"about where it can be, as, the ball is with congress."* Mr Evans sees *"aggregate demand trouble brewing"* without an extension of further fiscal support like jobless benefits, and that the Fed will not need to raise rates unless inflation heads to 2.5%. Easing monetary policy further would only be effective once the path of the virus is clearer and the economy looks further on the way to full employment, perhaps by the spring of 2021.

Did the war-of-words between Australia and China have an impact? Australian trade balance for June came in at an AUD8.20 billion versus an expected AUD8.80 billion, up on May's revised AUD7.34 billion. Australian retail sales for June rose 2.7% for the month, against an expected +2.4%.

The RBA left rates unchanged as was expected, and as we can probably expect until the end of time, but there were a few interesting comments. The RBA announced it will resume bond purchases on Wednesday after the 3-year yield edged above the 0.25% target in recent weeks. Unsurprisingly, once this

announcement was made, the yield dropped back to the desired level ... job done!

The RBA also forecasts unemployment to reach 10% by late 2020, then fall to 7% over 2021-2022. Inflation is expected to return to positive territory in Q3 and is projected to hold below 2% over the next 2 years.

The WSJ has let slip that the Argentinean government has clinched an agreement with its biggest private creditors to restructure about USD65 billion in foreign debt to help resolve the country's third sovereign default of this century ... so far!

The EU has launched an investigation into Google's USD2.1 billion acquisition of Fitbit, Apple has expressed an interest to rival Microsoft in the purchase of TikTok's US business, and, the SEC has launched a probe into Kodak's loan disclosures a subsequent stock surge.

## No cream today

Last night's GDT auction took a bit of a hit to give up some of July's gains. The overall index price fell 5.1%, while the all-important WMP fell 7.5%.

Summing up the overnight action, equities are up slightly, the US 5-year yield has fallen below 0.20% while the 10-year has eased to 0.51% on concerns of yield curve control, the USD index has eased 0.1% with the NZD/USD at 0.6620 and the AUD/USD at 0.7160, and gold smashed through USD2,000 an ounce.

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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	72.15					<b>CAD</b> 0.8825	0.9543
NZD/USD	0.6625	0.0000	0.0000	-0.0002	-0.0004	<b>CHF</b> 0.6050	0.6542
NZD/AUD	0.9248	-0.0001	-0.0003	-0.0006	-0.0007	<b>CNY</b> 4.6201	4.9961
NZD/JPY	70.00	-0.02	-0.08	-0.22	-0.41	<b>DKK</b> 4.1822	4.5225
NZD/EUR	0.5614	-0.0004	-0.0011	-0.0024	-0.0046	<b>FJD</b> 1.4122	1.5271
NZD/GBP	0.5069	-0.0001	-0.0002	-0.0006	-0.0011	<b>HKD</b> 5.1345	5.5523
						<b>KRW</b> 790.65	854.99
AU TWI	61.40					<b>MYR</b> 2.7908	3.0178
AUD/USD	0.7164	0.0001	0.0002	0.0003	0.0001	<b>NOK</b> 6.0216	6.5116
AUD/NZD	1.0814	0.0001	0.0003	0.0007	0.0008	<b>SEK</b> 5.7795	6.2498
AUD/JPY	75.70	-0.02	-0.06	-0.19	-0.39	<b>SGD</b> 0.9096	0.9836
AUD/EUR	0.6071	-0.0003	-0.0010	-0.0022	-0.0045	<b>TWD</b> 19.51	21.10
AUD/GBP	0.5481	0.0000	-0.0001	-0.0003	-0.0008	<b>ZAR</b> 11.5112	12.4479
USD Index	93.24						
EUR/USD	1.1801	0.0008	0.0022	0.0048	0.0090	<b>EQUITIES</b>	
USD/JPY	105.67	-0.03	-0.11	-0.30	-0.56		<b>Index</b>
GBP/USD	1.3070	0.0002	0.0005	0.0013	0.0020	<b>NZX50</b>	11,772
EUR/GBP	0.9029	0.0005	0.0013	0.0028	0.0055	<b>ASX200</b>	6,038
						<b>Dow Jones</b>	26,830
						<b>S&amp;P 500</b>	3,298
						<b>FTSE100</b>	6,036
						<b>DAX 30</b>	12,601
						<b>Nikkei</b>	22,574
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	42.75
						<b>Brent Crude</b>	44.33
						<b>Gold</b>	2,014.96
						<b>Silver</b>	25.96
						<b>CRB Index</b>	157.10

  

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	0.30%	0.27%	0.15%	0.10%
FRA 180d in 6mths	0.19%	0.16%	0.19%	0.15%
1 year swap*	0.25%	0.22%	0.14%	0.11%
2 year swap*	0.22%	0.19%	0.16%	0.15%
3 year swap*	0.22%	0.19%	0.20%	0.19%
5 year swap*	0.31%	0.28%	0.36%	0.34%
10 year swap*	0.66%	0.63%	0.73%	0.71%
10 year Govt bond		0.73%		0.83%

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

SOURCE: Bloomberg

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