



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 1 September 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6735	-0.0003
NZD/AUD	0.9133	-0.0007
NZD/JPY	71.33	-0.24
NZD/EUR	0.5644	-0.0026
NZD/GBP	0.5039	-0.0008
NZD/CNH	4.6136	0.0546
AUD/USD	0.7375	0.0003
AUD/EUR	0.6180	-0.0023
EUR/USD	1.1933	0.0050
USD/CNH	7.1227	0.0838
GBP/USD	1.3367	0.0015
EUR/GBP	0.8927	0.0027

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.29%	0.09%
2 year swap	0.07%	0.15%
10 year Govt	0.63%	0.98%

A fractured country

Talk on the street is that Australia's second most populous state, Victoria, may get a 'road map' out of lockdown next weekend after their COVID numbers started to improve, but this positive news hasn't stopped Melbourne businesses from getting aggressive.

Following Victoria's stage four lockdown, a group of Australian businesses have filed a multi-billion dollar landmark class action lawsuit against the government for its failures in hotel quarantine. The man who successfully sued the Queensland government following the 2011 floods is launching one of the country's largest claims, expected to be worth billions

of dollars and potentially crippling to Victoria.

We also had a couple of data releases with Australian inventories for Q2 falling 3.0% for the quarter, versus an expected 1.0% contraction, while the Melbourne Institute monthly CPI number for August suggests we will see a pick up in inflation projecting a +0.1% uptick for the month and +1.3% for the year.

In a strange twist, Chinese economic data continues to outperform. August's PMI numbers were, for manufacturing, 51.0 (expected 51.2) and for non-manufacturing 55.2 (expected 54.2). It is not quite the same story in Japan though, as retail sales for July contracted 3.3% against an expected 2.5% contraction, although industrial production had a stellar jump, increasing +8.0% against an expected 5.0% increase.

Warren Buffett has decided it's time to invest abroad with a USD6 billion wager on Japanese firms after Berkshire Hathaway acquired more than 5% in each of the 5 leading Japanese trading companies. No doubt a long term buy and hold.

Atlanta Fed's Raphael Bostic announced the, "*economic recovery levelled off in July, August,*" while Fed member, Richard Clarida, in a clear pop about average inflation targeting stated, "*there are very powerful global disinflationary forces.*" In the release of a pre-Jackson Hole interview with Minneapolis Fed President, Neel Kashkari, he stated that the problem for the Fed is not that inflation has

consistently come in beneath its 2% target, it is that they consistently underestimated how strong the labour market could get without it triggering inflation.

While the Dow Jones traded in the red on Monday, it is still on track to record its best August in 36 years, and considering that the S&P500 and NASDAQ are at record highs, the feel good factor in US equities refuses to go away. Unfortunately, the rest of the world isn't quite so optimistic with the majority of indices still down for the year. So, why is this? Well, with the likes of Tesla rallying 12.5% overnight after their 5:1 stock split, and Apple rallying 4.2% after their 4:1 stock split, do not expect the status quo to change anytime soon.

In the more mundane world of currencies, commodities and bonds, the NZD and AUD were stable trading at 0.6740 and 0.7380 against the USD, commodities were quiet, although the US price for gasoline fell another 7%. The US 10 year yield was steady at 0.71%.

This isn't going to impact me

Sunday Times reports that the UK Chancellor, Rishi Sunak, has, "*plans for a £30bn tax raid on the wealthy.*" By all accounts, Treasury officials are drawing up plans for tax increases on the wealthy, businesses, and pensions including raising capital gains tax and corporation tax (from 19% to 24%).

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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	72.37					CAD	0.8786 0.9620
NZD/USD	0.6735	0.0000	-0.0001	-0.0003	0.0000	CHF	0.6088 0.6666
NZD/AUD	0.9133	-0.0001	-0.0004	-0.0007	-0.0001	CNY	4.6125 5.0506
NZD/JPY	71.33	-0.03	-0.10	-0.24	-0.41	DKK	4.2014 4.6004
NZD/EUR	0.5644	-0.0004	-0.0012	-0.0026	-0.0045	FJD	1.4133 1.5475
NZD/GBP	0.5039	-0.0001	-0.0003	-0.0008	-0.0008	HKD	5.2198 5.7156
						KRW	799.64 875.60
AU TWI	62.60					MYR	2.8034 3.0697
AUD/USD	0.7375	0.0001	0.0002	0.0003	0.0001	NOK	5.8835 6.4423
AUD/NZD	1.0950	0.0001	0.0004	0.0008	0.0002	SEK	5.8270 6.3805
AUD/JPY	78.11	-0.02	-0.08	-0.20	-0.43	SGD	0.9163 1.0033
AUD/EUR	0.6180	-0.0004	-0.0011	-0.0023	-0.0048	TWD	19.80 21.69
AUD/GBP	0.5517	-0.0001	-0.0001	-0.0004	-0.0008	ZAR	11.4124 12.4964
USD Index	92.18						
EUR/USD	1.1933	0.0008	0.0023	0.0050	0.0096	EQUITIES	
USD/JPY	105.92	-0.04	-0.14	-0.31	-0.61		Index
GBP/USD	1.3367	0.0003	0.0006	0.0015	0.0023	NZX50	11,938
EUR/GBP	0.8927	0.0004	0.0013	0.0027	0.0056	ASX200	6,060
						Dow Jones	28,428
INTEREST		New Zealand		Australia		S&P 500	3,513
RATES		Borrow	Invest	Borrow	Invest	FTSE100	5,964
30 day bank bills		0.29%	0.25%	0.09%	0.09%	DAX 30	12,945
90 day bank bills		0.31%	0.27%	0.11%	0.07%	Nikkei	23,140
FRA 90d in 3mths		0.31%	0.23%	0.14%	0.09%	COMMODITIES	
FRA 180d in 6mths		0.06%	0.03%	0.17%	0.13%		USD
1 year swap*		0.16%	0.13%	0.13%	0.11%	Dubai Light	45.42
2 year swap*		0.08%	0.06%	0.16%	0.14%	Brent Crude	45.56
3 year swap*		0.10%	0.07%	0.21%	0.19%	Gold	1,968.31
5 year swap*		0.20%	0.18%	0.39%	0.37%	Silver	28.16
10 year swap*		0.62%	0.60%	0.89%	0.87%	CRB Index	162.74
10 year Govt bond			0.61%		0.98%		

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

SOURCE: Bloomberg

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