



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Wednesday 2 September 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6749	-0.0003
NZD/AUD	0.9159	-0.0006
NZD/JPY	71.50	-0.23
NZD/EUR	0.5668	-0.0026
NZD/GBP	0.5044	-0.0008
NZD/CNH	4.6140	0.0550
AUD/USD	0.7370	0.0002
AUD/EUR	0.6188	-0.0024
EUR/USD	1.1909	0.0050
USD/CNH	7.1227	0.0840
GBP/USD	1.3380	0.0015
EUR/GBP	0.8900	0.0027

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.09%
2 year swap	0.04%	0.15%
10 year Govt	0.63%	0.97%

RBA takes focus

While the RBA maintained its cash rate and 3-year yield targets, it did increase the size and duration of the of the Term Funding Facility to keep funding costs low and assist with the supply of credit to lenders.

Under this facility, banks have access to funding the equivalent of 2.0% of their outstanding credit at a fixed rate of 25 basis points for up to three years, with the scheme extended until the end of June 2021.

To date, banks have drawn AUD52 billion under the Term Funding Facility, with more expected over the coming weeks. Today's change, the RBA said,

brings the total drawings available to around AUD200 billion.

All this doom and gloom in Australia isn't slowing down their export sector, after their June quarter current account balance surged to AUD 17.7 billion against an expected AUD 13.0 billion.

In maintaining this accommodative stance, the RBA set a bid tone under the AUD, which peaked overnight at 0.7414 before easing back to 0.7365. The NZD also went along for the ride, topping out at 0.6780 before retracing to 0.6740. Equities continued their strong performance, although there is a new player in town, called Zoom. No one had heard of them 6 months ago, but overnight they rallied 40% after strong lockdown related results.

The GDT auction wasn't much help, producing its 4th negative result in a row to give up all of July's mammoth gain. Last night the index was down 1.0% as WMP eased 2.0%.

Fed voting member, Lael Brainard, was on the newswires stating that the "Fed has a robust set of tools, committed to using all of them," before adding that it's "important that Fed policy pivots to accommodation from stabilization." If they are not accommodative now, we dread to think where this will end!

US factory growth produced its strongest performance since 2018 as the ISM Manufacturing PMI increased to 56.0 in August from 54.2 in July, beating market forecasts of 54.5.

Driven by strong demand from the US renovation and new home markets, US lumber prices have more than doubled since the beginning of the year. Lumber futures continue to trade above USD900 per 1000 board feet, slightly below the all-time high of USD934.5.

Apple Inc has asked suppliers to make at least 75 million 5G iPhones for later this year. Bye-bye, Huawei!

LDP policy chief, Fumio Kishida, upon announcing that he is in the running to replace retiring PM Abe, stated Japan "cannot alter monetary easing, fiscal stimulus immediately," while Japanese chief cabinet secretary, Yoshihide Suga, stated he will "continue with Abenomics" with reports stating he is due to announce his candidacy on Wednesday. China's Caixin/Markit Manufacturing PMI for August beat expectations at 53.1 against a forecast 52.5.

EU Core inflation fell to 0.4% in the year to August, from 1.2% in July.

In preparation for WWIII, the Taiwan press reported that mainland China is sending fighter jets to the Taiwan Strait ... every day.

Seriously, a writer in Hollywood couldn't dream this up ...

President Trump, speaking in a Fox interview, stated "companies supporting the Black Lives Matter movement are 'weak', and "BLM is a Marxist organisation."

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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	72.50					CAD 0.8824	0.9635
NZD/USD	0.6749	0.0000	-0.0001	-0.0003	0.0002	CHF 0.6139	0.6703
NZD/AUD	0.9159	-0.0001	-0.0004	-0.0006	0.0000	CNY 4.6084	5.0318
NZD/JPY	71.50	-0.03	-0.10	-0.23	-0.39	DKK 4.2188	4.6064
NZD/EUR	0.5668	-0.0004	-0.0012	-0.0026	-0.0044	FJD 1.4150	1.5451
NZD/GBP	0.5044	-0.0001	-0.0003	-0.0008	-0.0008	HKD 5.2305	5.7111
						KRW 800.24	873.76
AU TWI	62.90					MYR 2.8049	3.0626
AUD/USD	0.7370	0.0001	0.0002	0.0002	0.0002	NOK 5.9199	6.4638
AUD/NZD	1.0919	0.0002	0.0004	0.0008	0.0000	SEK 5.8651	6.4039
AUD/JPY	78.08	-0.03	-0.08	-0.20	-0.43	SGD 0.9188	1.0032
AUD/EUR	0.6188	-0.0004	-0.0011	-0.0024	-0.0048	TWD 19.84	21.67
AUD/GBP	0.5508	-0.0001	-0.0001	-0.0004	-0.0008	ZAR 11.2526	12.2865
USD Index	92.36						
EUR/USD	1.1909	0.0008	0.0023	0.0050	0.0096	EQUITIES	
USD/JPY	105.95	-0.04	-0.14	-0.31	-0.61		Index
GBP/USD	1.3380	0.0003	0.0006	0.0015	0.0023	NZX50	11,793
EUR/GBP	0.8900	0.0004	0.0013	0.0027	0.0056	ASX200	5,953
						Dow Jones	28,607
						S&P 500	3,518
						FTSE100	5,862
						DAX 30	12,974
						Nikkei	23,138
						COMMODITIES	
							USD
						Dubai Light	44.90
						Brent Crude	45.69
						Gold	1,969.72
						Silver	28.09
						CRB Index	162.88

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.30%	0.26%	0.09%	0.09%
90 day bank bills	0.32%	0.28%	0.11%	0.07%
FRA 90d in 3mths	0.30%	0.24%	0.14%	0.09%
FRA 180d in 6mths	0.01%	-0.02%	0.16%	0.12%
1 year swap*	0.13%	0.11%	0.12%	0.10%
2 year swap*	0.05%	0.03%	0.15%	0.14%
3 year swap*	0.06%	0.04%	0.19%	0.19%
5 year swap*	0.17%	0.14%	0.37%	0.35%
10 year swap*	0.60%	0.58%	0.83%	0.81%
10 year Govt bond		0.61%		0.97%

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

SOURCE: Bloomberg

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