



MARKET ALERT

Thursday 3 September 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6762	-0.0003
NZD/AUD	0.9223	-0.0007
NZD/JPY	71.81	-0.24
NZD/EUR	0.5710	-0.0027
NZD/GBP	0.5070	-0.0008
NZD/CNH	4.6219	0.0533
AUD/USD	0.7332	0.0003
AUD/EUR	0.6191	-0.0024
EUR/USD	1.1843	0.0050
USD/CNH	7.1227	0.0818
GBP/USD	1.3339	0.0016
EUR/GBP	0.8878	0.0027

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.30%	0.09%
2 year swap	0.07%	0.14%
10 year Govt	0.63%	0.93%

Central bank chit-chat

Talk on the street, from yesterday’s session, was that we’re in for a new bout of Euro weakness after ECB Board member, Philip Lane, stated the euro rate “*does matter for monetary policy.*” This initially saw the EUR/USD ease back below 1.20 on profit taking, which continued down to its current level of 1.1825

Unfortunately, our RBNZ Governor, Adrian Orr, wasn’t singing from the same hymn book, saying he’s “*not concerned with the exchange rate.*” If you believe that you’ll believe anything! This sent the NZD to 0.6780, he then also came out with the usual about additional monetary

policy tools, negative rates, more QE, and that the RBNZ is determined to head off low inflation and deflation, but, in reality, the horse had already bolted!

NZD was further supported by New Zealand’s record terms of trade index, which rose 2.5% in the June quarter to its highest level ever. However, the devil is in the detail, as the driver of the strong result was a sharp decline in the value of imports, while the value of exports remained somewhat resilient despite a country wide lockdown. The value of imports slipped 16.5% and the value of exports fell 5.2%, this was the biggest contraction in the value of imports since records began in 1990.

It was a similar story in Australia after June quarter GDP fell 7.0% against a forecast 6.0% contraction. The breakdown was shocking, with hours worked falling 9.8%, weaker business investment, and wage income falling by 2.5%, although gross disposable income jumped by 2.2% and household incomes rose due to the wage subsidy scheme. This hit the AUD especially hard, although the NZD remained resilient.

The US data wasn’t any better either as the ADP employment number proved to be a shocker because private businesses hired just 428k workers in August, way below market expectations of a 950k rise, although it is a slight improvement on July’s 212k increase. The mundane data was further supported by the Fed’s beige book, which highlighted that the recent economic gains were, at best, modest, as

activity remained well below pre-COVID levels.

In Germany, July retail sales fell 0.9% on the month against a forecast +0.5%, raising concerns about the recovery in Europe’s largest economy.

BoJ Deputy Governor, Masazumi Wakatabe, came out with the standard central bank line that the “*BoJ will take additional easing steps without hesitation if needed.*” He then added “*Japan’s economic activity may be restrained sharply if strict health measures are re-imposed to contain pandemic. The economy may come under further pressure if companies’ problems shift from liquidity to solvency issues.*” Finally, he added, “*Current monetary policy is most appropriate for now, regardless of PM,*” referring to the recent resignation of Shinzo Abe.

All up, the last 24 hours have been a rollercoaster for currencies, although if you look at them on a 24 hour basis, there appears to be little change. The NZD and AUD are currently trading at 0.6765 and 0.7330 against the USD, although the NZD/AUD has rallied to 0.9225.

Equities had another good night with all indices in green territory, although oil and gold were down 2.75% and 1.5% respectively. The US 10 year yield is also eased a couple of pips to 0.65%.

Time to move to Australia?

Australian Treasurer, Josh Frydenberg, says he is considering bringing forward tax cuts.

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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	72.84					CAD	0.8824 0.9568
NZD/USD	0.6762	-0.0001	-0.0001	-0.0003	0.0000	CHF	0.6161 0.6680
NZD/AUD	0.9223	-0.0001	-0.0004	-0.0007	-0.0002	CNY	4.6242 5.0140
NZD/JPY	71.81	-0.04	-0.11	-0.24	-0.41	DKK	4.2488 4.6069
NZD/EUR	0.5710	-0.0004	-0.0013	-0.0027	-0.0047	FJD	1.4188 1.5384
NZD/GBP	0.5070	-0.0001	-0.0003	-0.0008	-0.0009	HKD	5.2408 5.6826
						KRW	804.46 872.28
AU TWI	62.60					MYR	2.8011 3.0372
AUD/USD	0.7332	0.0001	0.0002	0.0003	0.0002	NOK	5.9864 6.4910
AUD/NZD	1.0843	0.0002	0.0005	0.0009	0.0003	SEK	5.8969 6.3940
AUD/JPY	77.86	-0.03	-0.08	-0.20	-0.43	SGD	0.9216 0.9993
AUD/EUR	0.6191	-0.0004	-0.0011	-0.0024	-0.0049	TWD	19.90 21.58
AUD/GBP	0.5496	-0.0001	-0.0001	-0.0004	-0.0008	ZAR	11.3814 12.3409
USD Index	92.75						
EUR/USD	1.1843	0.0008	0.0023	0.0050	0.0099		
USD/JPY	106.21	-0.04	-0.14	-0.31	-0.62		
GBP/USD	1.3339	0.0003	0.0006	0.0016	0.0024		
EUR/GBP	0.8878	0.0004	0.0013	0.0027	0.0058		

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	0.28%	0.25%	0.13%	0.08%
FRA 180d in 6mths	0.03%	0.01%	0.15%	0.11%
1 year swap*	0.15%	0.13%	0.11%	0.10%
2 year swap*	0.08%	0.06%	0.14%	0.13%
3 year swap*	0.09%	0.06%	0.18%	0.17%
5 year swap*	0.19%	0.15%	0.36%	0.34%
10 year swap*	0.61%	0.58%	0.83%	0.80%
10 year Govt bond		0.61%		0.93%

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

EQUITIES	
	Index
NZX50	11,903
ASX200	6,063
Dow Jones	29,132
S&P 500	3,579
FTSE100	5,941
DAX 30	13,243
Nikkei	23,247

COMMODITIES	
	USD
Dubai Light	44.90
Brent Crude	44.37
Gold	1,941.76
Silver	27.44
CRB Index	160.86

SOURCE: Bloomberg

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