



# MARKET ALERT

Wednesday 29 January 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

| CURRENCIES   | Spot   | 6mths     |
|--------------|--------|-----------|
| NZD/USD      | 0.6529 | 0.0015    |
| NZD/AUD      | 0.9671 | -0.0015   |
| NZD/JPY      | 71.25  | -0.53     |
| NZD/EUR      | 0.5928 | -0.0052   |
| NZD/GBP      | 0.5024 | -0.0016   |
| NZD/CNH      | 4.5511 | 0.0343    |
| AUD/USD      | 0.6750 | 0.0027    |
| AUD/EUR      | 0.6130 | -0.0044   |
| EUR/USD      | 1.1012 | 0.0123    |
| USD/CNH      | 6.9712 | 0.0360    |
| GBP/USD      | 1.2996 | 0.0072    |
| EUR/GBP      | 0.8474 | 0.0047    |
| INT RATES    | NZ     | Australia |
| OCR/Cash     | 1.00%  | 0.75%     |
| 90 day bills | 1.27%  | 0.87%     |
| 2 year swap  | 1.15%  | 0.66%     |
| 10 year Govt | 1.32%  | 0.95%     |

## Coronavirus remains centre of attention

European, UK and US sharemarkets rebounded overnight after their worst sell off in four months that reflected worries that the coronavirus could be more devastating to the global economy than SARS and will lead to a major economic fallout.

The coronavirus scare wiped USD1.5 trillion off the value of global sharemarkets and caused the 10 year Treasury bond yield to plummet 20 bps to levels last seen in October.

Positive US data overnight and hopes that the outbreak will be soon contained (or a vaccine created) caused markets to reverse some of Monday’s doom and gloom movements. Also, positive US data gave the USD a lift that caused the NZD/USD and AUD/USD to continue to take a beating.

China is New Zealand’s and Australia’s largest trading partner and provides a significant source of inbound tourists, and New Zealand’s second largest trading partner and largest tourist source is Australia. Therefore, if China is having an issue, New Zealand and Australia also have an issue.

The NZD hasn’t been hit as hard by the coronavirus as the AUD which could be explained by the after effects of the bush fires and that Australia will more quickly suffer from any Chinese slow down. The AUD/USD has fallen 2.2% since the news of the coronavirus outbreak and has fallen just under 4.0% this year.

Meanwhile, the NZD/USD has fallen 1.7% since the outbreak and 3.1% for the year. Swap rates on both sides of the Tasman have fallen considerably over the last week, more so in Australia.

## US to save the world

US durable goods orders rose in December to provide relief amid the continuing saga that is coronavirus, although the jump was driven by a large increase in defence spending.

The headline print of 2.4%, against an expectation of a 0.3% print, generated optimism but it was the demand for military equipment that stole the show with orders for defence capital goods up 90.2% after November’s decline.

In fact, all of the US data overnight provided comfort and support to traders as US consumer confidence surged to a five month high at 131.6, versus an expectation of 128.0, while the Richmond manufacturing index also spiked to 20 against an expectation of -3, making its biggest monthly advance since March 2016.

And, in support of the good economic data and supportive financial markets, President, Donald Trump, detailed a plan for peace in the Middle East.

While the photos of Trump and the Israel Prime Minister, Benjamin Netanyahu, will provide comfort and a united vision, the fact that the Palestinians weren’t consulted on the process does not inspire confidence in a long term solution.

Overall, the financial markets have paused after the past two days’ weakness and worry as they await further news and headlines on the coronavirus. It should be noted that the coronavirus outbreak is an evolving story. It is still too early to fully understand its long term impact and consequences.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# DAILY RATES

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| FX                    | Spot   | FECs (mid)         |               |                  |               | Spot Mid           |               |
|-----------------------|--------|--------------------|---------------|------------------|---------------|--------------------|---------------|
|                       | Mid    | 1mth               | 3mths         | 6mths            | 12mths        | NZD/...            | AUD/...       |
| NZ TWI                | 72.21  |                    |               |                  |               | <b>CAD</b>         | 0.8601 0.8894 |
| NZD/USD               | 0.6529 | 0.0002             | 0.0008        | 0.0015           | 0.0024        | <b>CHF</b>         | 0.6353 0.6569 |
| NZD/AUD               | 0.9671 | -0.0002            | -0.0006       | -0.0015          | -0.0038       | <b>CNY</b>         | 4.5113 4.6648 |
| NZD/JPY               | 71.25  | -0.08              | -0.26         | -0.53            | -1.12         | <b>DKK</b>         | 4.4302 4.5809 |
| NZD/EUR               | 0.5928 | -0.0008            | -0.0026       | -0.0052          | -0.0106       | <b>FJD</b>         | 1.4244 1.4729 |
| NZD/GBP               | 0.5024 | -0.0003            | -0.0008       | -0.0016          | -0.0035       | <b>HKD</b>         | 5.0770 5.2497 |
|                       |        |                    |               |                  |               | <b>KRW</b>         | 769.05 795.22 |
| AU TWI                | 58.40  |                    |               |                  |               | <b>MYR</b>         | 2.6652 2.7559 |
| AUD/USD               | 0.6750 | 0.0004             | 0.0013        | 0.0027           | 0.0052        | <b>NOK</b>         | 5.9580 6.1606 |
| AUD/NZD               | 1.0340 | 0.0002             | 0.0007        | 0.0016           | 0.0041        | <b>SEK</b>         | 6.2767 6.4902 |
| AUD/JPY               | 73.67  | -0.07              | -0.22         | -0.44            | -0.87         | <b>SGD</b>         | 0.8869 0.9171 |
| AUD/EUR               | 0.6130 | -0.0008            | -0.0023       | -0.0044          | -0.0085       | <b>TWD</b>         | 19.67 20.33   |
| AUD/GBP               | 0.5194 | -0.0002            | -0.0005       | -0.0008          | -0.0016       | <b>ZAR</b>         | 9.5123 9.8358 |
| USD Index             | 98.04  |                    |               |                  |               |                    |               |
| EUR/USD               | 1.1012 | 0.0020             | 0.0062        | 0.0123           | 0.0241        | <b>EQUITIES</b>    |               |
| USD/JPY               | 109.15 | -0.17              | -0.53         | -1.07            | -2.12         |                    | <b>Index</b>  |
| GBP/USD               | 1.2996 | 0.0011             | 0.0037        | 0.0072           | 0.0140        | <b>NZX50</b>       | 11,685        |
| EUR/GBP               | 0.8474 | 0.0008             | 0.0024        | 0.0047           | 0.0094        | <b>ASX200</b>      | 6,994         |
|                       |        |                    |               |                  |               | <b>Dow Jones</b>   | 28,777        |
|                       |        |                    |               |                  |               | <b>S&amp;P 500</b> | 3,278         |
|                       |        |                    |               |                  |               | <b>FTSE100</b>     | 7,481         |
|                       |        |                    |               |                  |               | <b>DAX 30</b>      | 13,324        |
|                       |        |                    |               |                  |               | <b>Nikkei</b>      | 23,216        |
|                       |        |                    |               |                  |               |                    |               |
|                       |        |                    |               |                  |               | <b>COMMODITIES</b> |               |
|                       |        |                    |               |                  |               |                    | <b>USD</b>    |
|                       |        |                    |               |                  |               | <b>Dubai Light</b> | 57.92         |
|                       |        |                    |               |                  |               | <b>Brent Crude</b> | 59.54         |
|                       |        |                    |               |                  |               | <b>Gold</b>        | 1,569.80      |
|                       |        |                    |               |                  |               | <b>Silver</b>      | 17.48         |
|                       |        |                    |               |                  |               | <b>CRB Index</b>   | 184.00        |
|                       |        |                    |               |                  |               |                    |               |
| <b>INTEREST RATES</b> |        | <b>New Zealand</b> |               | <b>Australia</b> |               |                    |               |
|                       |        | <b>Borrow</b>      | <b>Invest</b> | <b>Borrow</b>    | <b>Invest</b> |                    |               |
| 30 day bank bills     |        | 1.23%              | 1.19%         | 0.80%            | 0.78%         |                    |               |
| 90 day bank bills     |        | 1.29%              | 1.25%         | 0.89%            | 0.85%         |                    |               |
| FRA 90d in 3mths      |        | 1.19%              | 1.17%         | 0.72%            | 0.67%         |                    |               |
| FRA 180d in 6mths     |        | 1.13%              | 1.10%         | 0.73%            | 0.69%         |                    |               |
| 1 year swap*          |        | 1.19%              | 1.16%         | 0.71%            | 0.70%         |                    |               |
| 2 year swap*          |        | 1.17%              | 1.14%         | 0.67%            | 0.65%         |                    |               |
| 3 year swap*          |        | 1.17%              | 1.15%         | 0.68%            | 0.67%         |                    |               |
| 5 year swap*          |        | 1.23%              | 1.20%         | 0.86%            | 0.85%         |                    |               |
| 10 year swap*         |        | 1.48%              | 1.45%         | 1.15%            | 1.14%         |                    |               |
| 10 year Govt bond     |        |                    | 1.30%         |                  | 0.95%         |                    |               |

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

SOURCE: Bloomberg

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