



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 11 February 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6386	0.0012
NZD/AUD	0.9566	-0.0012
NZD/JPY	70.05	-0.54
NZD/EUR	0.5851	-0.0051
NZD/GBP	0.4945	-0.0014
NZD/CNH	4.4621	0.0290
AUD/USD	0.6676	0.0021
AUD/EUR	0.6117	-0.0046
EUR/USD	1.0914	0.0118
USD/CNH	6.9874	0.0320
GBP/USD	1.2916	0.0060
EUR/GBP	0.8450	0.0051

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.24%	0.91%
2 year swap	1.11%	0.69%
10 year Govt	1.28%	1.01%

Markets overnight

More risk off sentiment overnight as US treasury yields fell and US equities traded flat, gold rallied along with the USD; continued weakness in the commodity currencies as the NZD trades at 3 month lows and the AUD trading at GFC lows. Coronavirus still driving markets as the death toll surpasses the SARS virus.

Overnight the World Health Organisation warned that the spread of coronavirus cases among people outside of China could be *“the spark that becomes a bigger fire”* and the human race must not let

the epidemic get out of control. To date there had been 40,235 confirmed cases reported in China with 909 deaths, as well as 319 cases in 24 other countries, including one death. In an effort to provide comfort, Chinese President Xi spoke with medical workers in Wuhan via video conference and visited several sites in Beijing, where it was reported he commented, *“Let’s not shake hands!”*.

Elsewhere, the EUR/USD slipped after the race to lead Germany was thrown wide open yesterday when Annegret Kramp-Karrenbauer announced that she will step down as leader of Angela Merkel’s Christian Democratic union and won’t run as party’s candidate for chancellor in the next election.

Spending up for a second term

President Donald Trump released his annual budget overnight proposing deep cuts to social programs but increasing defence and entitlement spending.

When combined with his proposed tax cuts, if the budget was passed, the USD4.8 trillion spending plan would push the gross federal debt above USD30 trillion over the next decade. The White House projects the economy will grow 3.1% in 2020, and 3.0% in 2021

In other news, the US has laid charges against four Chinese military officers over the Equifax hack in 2017, which involved the theft of personal data including

names, birth dates, and social security numbers on over 150 million Americans from the credit reporting agency.

Following on from the Iranian missile attacks on two US bases in early January, when it was announced that there were no injuries, it has since transpired that subsequently there have been more than 100 US troops diagnosed with brain injuries from the attacks.

Perfect storm for China’s CPI

China’s CPI rose the fastest in more than eight years in January; with the outbreak of the coronavirus and shutdowns of transport links across the country making further increases in CPI more likely in coming months.

CPI rose 5.4% with food prices being one of the main factors as they jumped the most since 2008. A perfect storm as the Luna New Year and effects of the African Swine Flue have already inflated prices before the coronavirus took its toll. The dramatically worsening coronavirus situation in the last 10 days of the month exacerbated those factors and could prolong the high prices.

This could not only hurt consumption domestically but could push up prices globally with extended shutdowns in China affecting supplies of industrial goods and exported foods.

Finally, congratulations to Taika Waititi on winning an Oscar for Best Adapted Screenplay.

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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	71.23					CAD	0.8506 0.8892
NZD/USD	0.6386	0.0002	0.0006	0.0012	0.0019	CHF	0.6238 0.6521
NZD/AUD	0.9566	-0.0002	-0.0006	-0.0012	-0.0029	CNY	4.4603 4.6626
NZD/JPY	70.05	-0.09	-0.27	-0.54	-1.12	DKK	4.3724 4.5707
NZD/EUR	0.5851	-0.0009	-0.0026	-0.0051	-0.0104	FJD	1.4001 1.4636
NZD/GBP	0.4945	-0.0003	-0.0007	-0.0014	-0.0030	HKD	4.9596 5.1846
						KRW	758.91 793.34
AU TWI	58.30					MYR	2.6589 2.7795
AUD/USD	0.6676	0.0003	0.0010	0.0021	0.0040	NOK	5.9360 6.2053
AUD/NZD	1.0454	0.0002	0.0006	0.0013	0.0032	SEK	6.1706 6.4506
AUD/JPY	73.22	-0.07	-0.24	-0.47	-0.95	SGD	0.8871 0.9273
AUD/EUR	0.6117	-0.0008	-0.0024	-0.0046	-0.0090	TWD	19.22 20.09
AUD/GBP	0.5169	-0.0001	-0.0004	-0.0008	-0.0015	ZAR	9.5696 10.0038
USD Index	98.83						
EUR/USD	1.0914	0.0019	0.0060	0.0118	0.0230	EQUITIES	
USD/JPY	109.69	-0.17	-0.53	-1.05	-2.08		Index
GBP/USD	1.2916	0.0010	0.0031	0.0060	0.0116	NZX50	11,703
EUR/GBP	0.8450	0.0008	0.0026	0.0051	0.0101	ASX200	7,013
						Dow Jones	29,150
						S&P 500	3,338
						FTSE100	7,447
						DAX 30	13,494
						Nikkei	23,686
						COMMODITIES	
							USD
						Dubai Light	53.54
						Brent Crude	53.23
						Gold	1,575.65
						Silver	17.81
						CRB Index	178.99
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		1.19%	1.15%	0.82%	0.80%		
90 day bank bills		1.26%	1.22%	0.93%	0.89%		
FRA 90d in 3mths		1.14%	1.11%	0.78%	0.73%		
FRA 180d in 6mths		1.13%	1.10%	0.75%	0.71%		
1 year swap*		1.15%	1.12%	0.75%	0.74%		
2 year swap*		1.12%	1.09%	0.69%	0.68%		
3 year swap*		1.11%	1.09%	0.70%	0.69%		
5 year swap*		1.16%	1.14%	0.86%	0.84%		
10 year swap*		1.44%	1.41%	1.13%	1.11%		
10 year Govt bond			1.26%		1.01%		

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

SOURCE: Bloomberg

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