



MARKET ALERT

Thursday 13 February 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6465	0.0012
NZD/AUD	0.9592	-0.0014
NZD/JPY	71.13	-0.56
NZD/EUR	0.5942	-0.0054
NZD/GBP	0.4986	-0.0014
NZD/CNH	4.5074	0.0288
AUD/USD	0.6740	0.0022
AUD/EUR	0.6197	-0.0047
EUR/USD	1.0877	0.0119
USD/CNH	6.9724	0.0317
GBP/USD	1.2965	0.0062
EUR/GBP	0.8390	0.0052

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.23%	0.92%
2 year swap	1.18%	0.77%
10 year Govt	1.39%	1.06%

RBNZ feeling good

The RBNZ yesterday left the cash rate at 1.00% and expressed a more hawkish stance on monetary policy than markets anticipated.

The Governor highlighted that economic data releases since the last meeting have been relatively stronger than expected which, combined with central governments infrastructure plans, has Mr Orr optimistic that the economy will hit its 2.0% inflationary target.

Forecasters are now suggesting the central bank may not lower rates at all this year, unless the coronavirus outbreak has a larger than expected impact on growth. RBNZ projections for the cash

rate over the next two years suggest interest rates will remain at stimulatory levels with the cash rate to average 1.0% in the year ending March 2021 and 1.3% in the year ending March 2022.

The NZD/USD spiked half a cent on the announcement and has held on to those gains overnight, currently trading at 0.6465. Fixed income markets were also higher with swap and bond yields 5-10 points higher across the curve.

Optimistic Powell

Internationally, the feel good factor was reciprocated despite additional coronavirus worries. After being tweet-attacked by President Trump after his first day of testimony, Fed Chair Powell was projecting optimism with, *“There’s no reason why the current situation of low unemployment, rising wages, high job creation — there’s no reason why it can’t go on,”* and *“There is nothing about this economy that is out of kilter or imbalanced.”* He did highlight some risks though stating he expected some drag *“soon”* from the coronavirus epidemic and called out the threat from income inequality and an expanding federal balance sheet.

Financial markets weren’t overly concerned with his warning, preferring to focus on the good news. This saw further equity gains and the 10 year treasury yield jump to 1.62%.

In the world of coronavirus, 300 employees were evacuated from Singapore’s biggest bank, DBS, after one person fell ill with the virus and,

in further bad news, the *Hong Kong Sevens* and *Chinese Grand Prix* were also cancelled due to the outbreak. London has also confirmed it has its first case of coronavirus.

Oil shock

It may not feel like it when you next fill up the car but international oil prices have fallen sharply over recent weeks, with demand from China said to have been cut by 3 million barrels a day, roughly 20% of its consumption, due to coronavirus. The Organisation of the Petroleum Exporting Countries (“OPEC”) is said to be considering curbs to output to help offset the slower demand and support the oil price. WTI hit a one year low below USD50.00/bbl earlier this week, a fall of more than 20% from the early January level of USD65.40/bbl, although speculation that the spread of the disease could be nearing its peak saw prices lift marginally overnight.

“The impact of the coronavirus outbreak on China’s economy has added to the uncertainties surrounding global economic growth in 2020, and by extension global oil demand growth,” the OPEC report noted.

While the fall in prices may be good news for US motorists, the corresponding fall in the NZD/USD means local users will still have to dig deep next time they fill up the car.

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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	71.91					CAD	0.8562 0.8927
NZD/USD	0.6465	0.0002	0.0006	0.0012	0.0018	CHF	0.6320 0.6589
NZD/AUD	0.9592	-0.0003	-0.0007	-0.0014	-0.0032	CNY	4.5072 4.6991
NZD/JPY	71.13	-0.09	-0.28	-0.56	-1.17	DKK	4.4410 4.6301
NZD/EUR	0.5942	-0.0009	-0.0027	-0.0054	-0.0110	FJD	1.4218 1.4823
NZD/GBP	0.4986	-0.0003	-0.0007	-0.0014	-0.0032	HKD	5.0241 5.2381
						KRW	763.07 795.57
AU TWI	58.40					MYR	2.6774 2.7914
AUD/USD	0.6740	0.0004	0.0011	0.0022	0.0041	NOK	5.9659 6.2200
AUD/NZD	1.0426	0.0003	0.0007	0.0015	0.0035	SEK	6.2289 6.4942
AUD/JPY	74.17	-0.08	-0.24	-0.48	-0.98	SGD	0.8962 0.9344
AUD/EUR	0.6197	-0.0008	-0.0024	-0.0047	-0.0094	TWD	19.40 20.23
AUD/GBP	0.5199	-0.0001	-0.0004	-0.0008	-0.0016	ZAR	9.6080 10.0172
USD Index	98.97						
EUR/USD	1.0877	0.0021	0.0060	0.0119	0.0236	EQUITIES	
USD/JPY	110.05	-0.18	-0.53	-1.06	-2.11		Index
GBP/USD	1.2965	0.0011	0.0031	0.0062	0.0121	NZX50	11,898
EUR/GBP	0.8390	0.0009	0.0026	0.0052	0.0103	ASX200	7,088
						Dow Jones	29,504
						S&P 500	3,374
						FTSE100	7,534
						DAX 30	13,750
						Nikkei	23,861
						COMMODITIES	
							USD
						Dubai Light	54.05
						Brent Crude	55.80
						Gold	1,567.10
						Silver	17.49
						CRB Index	182.01

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.17%	1.13%	0.82%	0.80%
90 day bank bills	1.23%	1.22%	0.94%	0.90%
FRA 90d in 3mths	1.19%	1.14%	0.84%	0.79%
FRA 180d in 6mths	1.19%	1.16%	0.83%	0.79%
1 year swap*	1.20%	1.17%	0.81%	0.80%
2 year swap*	1.19%	1.16%	0.77%	0.76%
3 year swap*	1.20%	1.17%	0.78%	0.77%
5 year swap*	1.27%	1.24%	0.95%	0.94%
10 year swap*	1.54%	1.51%	1.24%	1.23%
10 year Govt bond		1.37%		1.06%

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

SOURCE: Bloomberg

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