



MARKET ALERT

Friday 14 February 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6442	0.0012
NZD/AUD	0.9581	-0.0013
NZD/JPY	70.75	-0.55
NZD/EUR	0.5942	-0.0053
NZD/GBP	0.4936	-0.0014
NZD/CNH	4.4989	0.0278
AUD/USD	0.6724	0.0022
AUD/EUR	0.6201	-0.0047
EUR/USD	1.0843	0.0118
USD/CNH	6.9842	0.0304
GBP/USD	1.3052	0.0061
EUR/GBP	0.8307	0.0051

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.22%	0.92%
2 year swap	1.17%	0.74%
10 year Govt	1.40%	1.04%

Central bankers calm but market focus elsewhere

Speeches were made by three central bank Governors yesterday, but these were overshadowed by the huge rise in coronavirus cases, an additional 15,000 cases in China, following a revision to the methodology used to diagnose the virus.

The New Zealand, Australian and Canadian central bank Governors were largely singing from the same song sheet and appeared relatively sanguine about the impact of the outbreak to date.

In a speech before the Finance and Expenditure Committee (a day after holding the OCR steady at 1.00%),

RBNZ Governor, Adrian Orr, expressed his confidence in current monetary policy. He acknowledged that the coronavirus outbreak would weigh down trade, finance, and confidence. However, he said that policymakers do not see any need to ease given the current situation.

He went on to say that the outbreak would only have a significant effect on growth if it lasted for a sustained period.

Those tasked with keeping the domestic economy on an even keel will no doubt also be paying close attention to local weather patterns, with much of the country in drought.

RBA Governor, Philip Lowe, seemed more concerned with the coronavirus, saying that it will have an uncertain impact on the economy. However, he did note that before the outbreak, the economic outlook was improving. He also said that China's efforts to stimulate its domestic economy could also be beneficial for Australia's too.

Unlike his counterparts, Bank of Canada Governor, Stephen Poloz, did not make any remarks about the coronavirus in his speech. He described the Canadian economy as being in a good place. For its resilience, he credits the government's fiscal stimulus efforts. According to him, interest rates in Canada would have been so much lower if not for the fiscal spend.

NZD retreats

Despite positive speak from the respective central banks, the NZD/USD

and AUD/USD traded marginally lower yesterday in reaction to the escalation in coronavirus cases, to be at 0.6445 and 0.6725.

In similar moves, the EUR continued to trade lower, the EUR/USD is now at a three year low and the EUR/CHF hit its lowest levels since mid 2015. In predictable fashion, the JPY strengthened on safe haven flows, although the GBP gained after Sajid Javid quit as the UK's Chancellor of the Exchequer.

The Chancellor resigned on a point of principle after Downing Street advised all government ministers to dismiss their special advisors, of which Javid had six. Javid's deputy, Rishi Sunak, has been appointed as the new Chancellor.

Overnight the US 30 year treasury auction was oversubscribed by bidders, well above the average bid cover, producing a yield of 2.061%, the lowest yielding 30 year auction of all time.

The low yield says a lot about tepid inflation expectations and highlights the demand for quality issuance and yield. The US 10 year yield eased a touch to 1.61%. Commodities, which have been a lead indicator on the virus outbreak, continued their recent recovery from their individual lows, with WTI crude hitting a two week high at USD51.64, while copper hit a three week high at USD5,764 per mt. Gold strengthened to USD1,575.

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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	71.72					CAD	0.8541 0.8914
NZD/USD	0.6442	0.0002	0.0006	0.0012	0.0018	CHF	0.6306 0.6581
NZD/AUD	0.9581	-0.0002	-0.0006	-0.0013	-0.0032	CNY	4.4942 4.6907
NZD/JPY	70.75	-0.09	-0.28	-0.55	-1.15	DKK	4.4390 4.6331
NZD/EUR	0.5942	-0.0009	-0.0027	-0.0053	-0.0109	FJD	1.4129 1.4747
NZD/GBP	0.4936	-0.0002	-0.0007	-0.0014	-0.0031	HKD	5.0038 5.2226
						KRW	762.44 795.79
AU TWI	58.40					MYR	2.6756 2.7926
AUD/USD	0.6724	0.0003	0.0011	0.0022	0.0042	NOK	5.9631 6.2238
AUD/NZD	1.0437	0.0002	0.0007	0.0015	0.0035	SEK	6.2355 6.5081
AUD/JPY	73.84	-0.07	-0.24	-0.48	-0.96	SGD	0.8951 0.9342
AUD/EUR	0.6201	-0.0008	-0.0024	-0.0047	-0.0093	TWD	19.34 20.18
AUD/GBP	0.5152	-0.0001	-0.0004	-0.0007	-0.0015	ZAR	9.6081 10.0282
USD Index	99.08						
EUR/USD	1.0843	0.0019	0.0059	0.0118	0.0233	EQUITIES	
USD/JPY	109.83	-0.17	-0.54	-1.06	-2.09		Index
GBP/USD	1.3052	0.0010	0.0031	0.0061	0.0119	NZX50	11,881
EUR/GBP	0.8307	0.0008	0.0026	0.0051	0.0102	ASX200	7,103
						Dow Jones	29,519
						S&P 500	3,380
						FTSE100	7,452
						DAX 30	13,745
						Nikkei	23,828
						COMMODITIES	
							USD
						Dubai Light	54.31
						Brent Crude	56.16
						Gold	1,575.91
						Silver	17.65
						CRB Index	182.66

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	1.24%	1.20%	0.94%	0.90%
FRA 90d in 3mths	1.19%	1.11%	0.82%	0.77%
FRA 180d in 6mths	1.18%	1.15%	0.81%	0.77%
1 year swap*	1.19%	1.16%	0.80%	0.79%
2 year swap*	1.18%	1.15%	0.75%	0.74%
3 year swap*	1.20%	1.17%	0.76%	0.75%
5 year swap*	1.28%	1.25%	0.93%	0.92%
10 year swap*	1.56%	1.53%	1.22%	1.20%
10 year Govt bond		1.39%		1.04%

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

SOURCE: Bloomberg

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