



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 24 February 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6317	0.0012
NZD/AUD	0.9575	-0.0016
NZD/JPY	70.32	-0.54
NZD/EUR	0.5832	-0.0051
NZD/GBP	0.4875	-0.0013
NZD/CNH	4.4491	0.0295
AUD/USD	0.6596	0.0023
AUD/EUR	0.6091	-0.0044
EUR/USD	1.0830	0.0116
USD/CNH	7.0438	0.0333
GBP/USD	1.2958	0.0058
EUR/GBP	0.8358	0.0052

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.14%	0.89%
2 year swap	1.04%	0.65%
10 year Govt	1.25%	0.94%

Coronavirus affecting business activity across the globe

The virus has started taking its toll on the global economy, although the latest round of PMI numbers were mixed. It appears that UK and the Eurozone sentiment has improved while the US and Japan' outlook isn't as positive.

Eurozone manufacturing PMI increased from 47.9 to 49.1 in February, the highest reading in over a year. This was driven by German manufacturing PMI data, which increased from 45.3 to 47.8

over the same period. The Eurozone number came in well above market expectations of 47.4 and suggests that managers aren't so concerned about virus impacts as of yet. The services PMI also increased from 52.5 to 52.8 in February, which raised the composite PMI to 51.6.

However, it wasn't all good news as US business activity shrank in February for the first time since 2013 as the coronavirus hit supply chains and made firms hesitant to place orders. US Markit manufacturing data fell from 51.9 to 50.8 in February, far below market expectations of a 0.4 decrease. Market services PMI was the biggest hit as it decreased from 53.4 to 49.4, while the market was expecting a flat reading. This led the Markit composite PMI to fall from 53.3 to 49.6 and highlights the uncertainty the coronavirus has on the US economy. The USD slipped on the announcement, while the US 10 year Treasury yield fell to 1.47% — having started the year above 1.90%.

The coronavirus is the main driver for the volatility in the PMI numbers. Managers are hesitant to place orders and hire new staff with massive uncertainty around the economic impacts of the virus. We should see business activity subdued until there has been some positive developments with the spread. Internationally, concerns regarding coronavirus continue to gain momentum, with a sharp rise of

infections in South Korea, Italy, and Iran. Italy reported its third death while Iran is particularly unique as a 'closed' society with confirmed cases but little data. France, which usually receives around 2.7m tourists annually from China, has seen an overall 30-40% fall in all tourists following the outbreak.

NZ interest rates to remain low

In a speech on Friday to the Canterbury Manufactures Association, the RBNZ Governor, Adrian Orr, was quick to reiterate that NZ interest rates will remain low for some time to come. He noted that *"our recent February Monetary Policy Statement outlined that we intend to keep the OCR at a low level for some time to come so as to best ensure we continue to deliver our mandate."*

On Saturday, Warren Buffett released his annual letter to investors, announcing full-year earnings of USD81.42 billion, boosted by unrealised gains from its stock investments. The 'Sage of Omaha' as he is affectionally known also announced he ended the year with USD128 billion in cash and that he had actively joined the share buy-back club after repurchasing USD2.2 billion of Berkshire stock in 4Q 2019, and USD5 billion overall in 2019.

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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	71.11					CAD	0.8366 0.8737
NZD/USD	0.6317	0.0002	0.0006	0.0012	0.0019	CHF	0.6187 0.6462
NZD/AUD	0.9575	-0.0003	-0.0008	-0.0016	-0.0033	CNY	4.4622 4.6603
NZD/JPY	70.32	-0.08	-0.27	-0.54	-1.10	DKK	4.3569 4.5502
NZD/EUR	0.5832	-0.0008	-0.0026	-0.0051	-0.0103	FJD	1.4086 1.4711
NZD/GBP	0.4875	-0.0002	-0.0007	-0.0013	-0.0026	HKD	4.9186 5.1369
						KRW	766.12 800.13
AU TWI	57.90					MYR	2.6501 2.7677
AUD/USD	0.6596	0.0004	0.0012	0.0023	0.0043	NOK	5.8887 6.1501
AUD/NZD	1.0444	0.0003	0.0009	0.0017	0.0037	SEK	6.1501 6.4230
AUD/JPY	73.42	-0.07	-0.23	-0.45	-0.90	SGD	0.8840 0.9232
AUD/EUR	0.6091	-0.0007	-0.0022	-0.0044	-0.0087	TWD	19.29 20.15
AUD/GBP	0.5090	-0.0001	-0.0003	-0.0005	-0.0009	ZAR	9.4759 9.8965
USD Index	99.26						
EUR/USD	1.0830	0.0019	0.0060	0.0116	0.0228	EQUITIES	
USD/JPY	111.31	-0.17	-0.54	-1.06	-2.08		Index
GBP/USD	1.2958	0.0010	0.0031	0.0058	0.0109	NZX50	12,073
EUR/GBP	0.8358	0.0008	0.0026	0.0052	0.0105	ASX200	7,139
						Dow Jones	28,992
						S&P 500	3,338
						FTSE100	7,404
						DAX 30	13,579
						Nikkei	23,387
						COMMODITIES	
							USD
						Dubai Light	56.97
						Brent Crude	58.50
						Gold	1,643.13
						Silver	18.47
						CRB Index	185.26

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.12%	1.08%	0.82%	0.80%
90 day bank bills	1.16%	1.12%	0.91%	0.87%
FRA 90d in 3mths	1.09%	1.06%	0.73%	0.68%
FRA 180d in 6mths	1.04%	1.01%	0.69%	0.65%
1 year swap*	1.07%	1.04%	0.70%	0.69%
2 year swap*	1.05%	1.02%	0.65%	0.64%
3 year swap*	1.06%	1.03%	0.65%	0.65%
5 year swap*	1.12%	1.09%	0.77%	0.75%
10 year swap*	1.39%	1.36%	1.07%	1.06%
10 year Govt bond		1.24%		0.94%

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

SOURCE: Bloomberg

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