



# MARKET ALERT

Tuesday 25 February 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6348	0.0011
NZD/AUD	0.9601	-0.0017
NZD/JPY	70.17	-0.55
NZD/EUR	0.5843	-0.0051
NZD/GBP	0.4910	-0.0014
NZD/CNH	4.4655	0.0281
AUD/USD	0.6612	0.0022
AUD/EUR	0.6086	-0.0043
EUR/USD	1.0864	0.0115
USD/CNH	7.0347	0.0326
GBP/USD	1.2930	0.0057
EUR/GBP	0.8402	0.0051

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.14%	0.88%
2 year swap	1.00%	0.64%
10 year Govt	1.21%	0.92%

## Sea of red

Global equities took a battering as coronavirus gathered momentum outside of Asia. European equities were the first to react, closing down 3.5%-4.0% across the board, but the US markets have really taken it to heart.

Currently the Dow Jones Industrial Average (Dow) is down over a 1,000 points, or 3.35%. The drop has erased the Dow's gains for the year and puts it on track for its biggest one day decline since February 2018. Likewise, the

S&P500 is down 3.5%, with all 11 sectors posting declines, while the technology heavy NASDAQ index is down 4.00%.

Safe haven assets have reacted as you would have expected, with Gold rallying 1.6% toward the USD1,675.00 per ounce level, a seven-year high, while the 10-year US Treasury has seen its yield plummet to 1.355%, not far off its all-time low.

The yield on the 30 year Treasury hit 1.81%. Unsurprisingly, WTI crude has retracted to be just above the \$50.00 level, down 4.75%, while the VIX, an options-based gauge that rises on risk aversion as investors reach for insurance-like protection, has spiked to 25.4%, its highest level since 2011.

Investors have turned more risk adverse as the number of international cases has increased, especially as questions are being raised as to how exactly the virus is spreading with infections now impacting individuals who haven't visited China nor been in contact with confirmed cases. Currently, the virus has impacted people in 30 countries with the latest cases encroaching into the Middle East. As yet there aren't any confirm cases in Africa, but one would assume a quick escalation once it impacts that continent.

Interestingly, the NZD/USD remained on the side-lines, little changed at 0.6350. This can most likely be attributed to the currency move at the end of last week,

meaning the NZD was an early mover and is now consolidating at its lower level.

Within this context, the move in equities could be judged as a re-alignment as equities have finally adjusted to what the currency and bond markets have long been telling us ... there is risk out there and you need to be aware of it!

## Weak outlook for NZ retail

New Zealand's retail sales volumes grew 0.7% for the December quarter, from a revised 1.7% in the September quarter, and slightly below market expectations of 0.8%. However, the value of retail sales (with price effects included) rose 1.1%.

Nine of the 15 industries had higher sales volumes in the December 2019 quarter while electrical and electronic goods were the main driver behind the increase, rising 4.3% following a 4.4% rise in the September Quarter. The biggest losers were department stores, down 3.8% in the last quarter of 2019 after a 3.8% rise in the September quarter.

It's expected that the growth in retail sales will not persist due to the ongoing uncertainties around the coronavirus and the supply chain issues that directly impact New Zealand retailers.

Not only will the epidemic affect consumption goods, it will impact a range of capital and intermediate goods that are vital for construction, manufacturing and farming.

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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	71.30					<b>CAD</b> 0.8430	0.8780
NZD/USD	0.6348	0.0002	0.0006	0.0011	0.0015	<b>CHF</b> 0.6206	0.6463
NZD/AUD	0.9601	-0.0003	-0.0008	-0.0017	-0.0034	<b>CNY</b> 4.4622	4.6476
NZD/JPY	70.17	-0.09	-0.28	-0.55	-1.11	<b>DKK</b> 4.3653	4.5467
NZD/EUR	0.5843	-0.0009	-0.0026	-0.0051	-0.0104	<b>FJD</b> 1.4084	1.4669
NZD/GBP	0.4910	-0.0002	-0.0007	-0.0014	-0.0028	<b>HKD</b> 4.9483	5.1539
						<b>KRW</b> 774.03	806.19
AU TWI	58.00					<b>MYR</b> 2.6696	2.7805
AUD/USD	0.6612	0.0004	0.0012	0.0022	0.0039	<b>NOK</b> 5.9286	6.1750
AUD/NZD	1.0416	0.0003	0.0009	0.0018	0.0037	<b>SEK</b> 6.1722	6.4287
AUD/JPY	73.09	-0.07	-0.22	-0.44	-0.90	<b>SGD</b> 0.8880	0.9249
AUD/EUR	0.6086	-0.0007	-0.0022	-0.0043	-0.0087	<b>TWD</b> 19.34	20.14
AUD/GBP	0.5114	-0.0001	-0.0003	-0.0005	-0.0011	<b>ZAR</b> 9.6126	10.0120
USD Index	99.18						
EUR/USD	1.0864	0.0019	0.0059	0.0115	0.0222	<b>EQUITIES</b>	
USD/JPY	110.55	-0.17	-0.54	-1.04	-2.00		<b>Index</b>
GBP/USD	1.2930	0.0010	0.0031	0.0057	0.0105	<b>NZX50</b>	11,857
EUR/GBP	0.8402	0.0008	0.0026	0.0051	0.0103	<b>ASX200</b>	6,978
						<b>Dow Jones</b>	28,017
						<b>S&amp;P 500</b>	3,227
						<b>FTSE100</b>	7,157
						<b>DAX 30</b>	13,035
						<b>Nikkei</b>	23,387
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	54.91
						<b>Brent Crude</b>	55.71
						<b>Gold</b>	1,671.48
						<b>Silver</b>	18.88
						<b>CRB Index</b>	180.30

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.12%	1.08%	0.81%	0.79%
90 day bank bills	1.16%	1.12%	0.90%	0.86%
FRA 90d in 3mths	1.07%	1.04%	0.72%	0.67%
FRA 180d in 6mths	1.01%	0.98%	0.68%	0.64%
1 year swap*	1.03%	1.00%	0.70%	0.69%
2 year swap*	1.01%	0.99%	0.64%	0.63%
3 year swap*	1.02%	1.00%	0.62%	0.62%
5 year swap*	1.08%	1.06%	0.75%	0.74%
10 year swap*	1.33%	1.31%	1.01%	1.00%
10 year Govt bond		1.19%		0.92%

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

SOURCE: Bloomberg

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