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BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Wednesday 26 February 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6330	0.0009
NZD/AUD	0.9590	-0.0016
NZD/JPY	69.58	-0.55
NZD/EUR	0.5817	-0.0051
NZD/GBP	0.4866	-0.0014
NZD/CNH	4.4492	0.0273
AUD/USD	0.6601	0.0021
AUD/EUR	0.6066	-0.0043
EUR/USD	1.0881	0.0113
USD/CNH	7.0296	0.0330
GBP/USD	1.3009	0.0056
EUR/GBP	0.8365	0.0051

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.12%	0.86%
2 year swap	1.00%	0.62%
10 year Govt	1.20%	0.93%

## More of the same please, Sir!

Risk assets extended their losses overnight after the US Centres for Disease Control and Prevention warned Americans to prepare for a coronavirus outbreak at home. US, UK, and Eurozone equities were down a further 1-3% overnight with the Japanese index being the biggest loser with a 3.34% contraction.

Gold, despite being a safe haven asset, retreated from its highest level since 2013 as it eased 2.1% on profit taking. WTI crude oil fell a further 2.9% after falling 4.0% just yesterday to be down

6.7% for the week. Iron ore futures fell as steel inventories in China surged to a record high, putting further pressure on the AUD.

US equities initially opened higher, with the Dow climbing to the 28,200 level at its highest, but pessimism came to the fore on further coronavirus worries, pushing equities into a sea of red.

At the time of writing, the Dow is down 700 points, an intra-day swing of 1,000 points. Joining the move, the US 10 Year Treasury Bond yield fell to a record low as the bond rallied 5 bps overnight, falling to 1.32% at the time of writing.

The NZD has held up relatively well during this week's sell off, however, a confirmed case is still yet to be found in New Zealand and has the potential to push the NZD down to support around 0.6250.

The JPY continues its strengthening and eliminates doubts about the safe haven status of the currency; the JPY has gained 1.88% against the USD since last Thursday.

The USD Index has fallen just under 1.0% from its highs witnessed last Thursday, which has pushed the GBP/USD back over 1.3000 resulting in the NZD/GBP hovering around 0.4865, its lowest level since 2016.

## In further coronavirus news

The head of the IMF, Kristalina Georgieva, was on the newswires

adopting a cautionary tone. In a rhetoric eerily similar to that displayed by the RBA and RBNZ governors a fortnight ago, Ms. Georgieva stated, "We have to be vigilant and calibrate the measures appropriately," using, "well-targeted and proportionate measures" to avoid hurting individual economies.

In a further warning she added, "while we are focused on the coronavirus, we don't want to see attention derailed from other very important issues for the stability and prosperity of the world economy." That ship may have sailed already and, in response to the crisis, it should be noted that the IMF has downgrading global-growth projections.

The Eurozone, like the US, was also heavy overnight on coronavirus news, while the downbeat German GDP print didn't offer much support either. The final iteration for Q4 German GDP was, 0.0% quarterly, and up 0.3% yearly, which was in line with expectations.

Looking deeper into the detail, it was declining exports that held back German economic activity in Q4 as exports fell by 0.2%.

This is especially worrying when one realises that Germany is the world third largest exporter, is known for the high quality of its technology related products, and the fact that these numbers don't take into account the recent trade slow down.

It is inevitable that the trade related Q1 print for this year will be lower again.

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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	71.00					<b>CAD</b>	0.8402 0.8762
NZD/USD	0.6330	0.0002	0.0006	0.0009	0.0011	<b>CHF</b>	0.6173 0.6437
NZD/AUD	0.9590	-0.0003	-0.0008	-0.0016	-0.0033	<b>CNY</b>	4.4393 4.6293
NZD/JPY	69.58	-0.08	-0.27	-0.55	-1.12	<b>DKK</b>	4.3455 4.5315
NZD/EUR	0.5817	-0.0008	-0.0026	-0.0051	-0.0103	<b>FJD</b>	1.4030 1.4631
NZD/GBP	0.4866	-0.0002	-0.0007	-0.0014	-0.0029	<b>HKD</b>	4.9310 5.1421
						<b>KRW</b>	769.93 802.89
AU TWI	57.90					<b>MYR</b>	2.6831 2.7980
AUD/USD	0.6601	0.0004	0.0011	0.0021	0.0035	<b>NOK</b>	5.9351 6.1891
AUD/NZD	1.0428	0.0003	0.0009	0.0018	0.0036	<b>SEK</b>	6.1531 6.4164
AUD/JPY	72.57	-0.07	-0.22	-0.45	-0.92	<b>SGD</b>	0.8858 0.9237
AUD/EUR	0.6066	-0.0007	-0.0022	-0.0043	-0.0087	<b>TWD</b>	19.22 20.04
AUD/GBP	0.5074	-0.0001	-0.0003	-0.0006	-0.0013	<b>ZAR</b>	9.6656 10.0793
USD Index	98.99						
EUR/USD	1.0881	0.0019	0.0058	0.0113	0.0217	<b>EQUITIES</b>	
USD/JPY	109.95	-0.17	-0.53	-1.02	-1.96		<b>Index</b>
GBP/USD	1.3009	0.0010	0.0030	0.0056	0.0101	<b>NZX50</b>	11,719
EUR/GBP	0.8365	0.0008	0.0025	0.0051	0.0101	<b>ASX200</b>	6,867
						<b>Dow Jones</b>	27,229
						<b>S&amp;P 500</b>	3,165
						<b>FTSE100</b>	7,018
						<b>DAX 30</b>	12,790
						<b>Nikkei</b>	22,605
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	54.81
						<b>Brent Crude</b>	55.09
						<b>Gold</b>	1,646.55
						<b>Silver</b>	18.21
						<b>CRB Index</b>	179.06
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>			
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>		
30 day bank bills		1.11%	1.07%	0.81%	0.79%		
90 day bank bills		1.14%	1.10%	0.88%	0.84%		
FRA 90d in 3mths		1.05%	1.02%	0.71%	0.66%		
FRA 180d in 6mths		1.02%	0.99%	0.68%	0.64%		
1 year swap*		1.04%	1.02%	0.69%	0.68%		
2 year swap*		1.01%	0.99%	0.63%	0.61%		
3 year swap*		1.02%	0.99%	0.63%	0.62%		
5 year swap*		1.07%	1.05%	0.76%	0.74%		
10 year swap*		1.32%	1.30%	1.02%	1.00%		
10 year Govt bond			1.19%		0.93%		

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

SOURCE: Bloomberg

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