



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 28 February 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6320	0.0008
NZD/AUD	0.9598	-0.0016
NZD/JPY	69.46	-0.53
NZD/EUR	0.5750	-0.0050
NZD/GBP	0.4902	-0.0013
NZD/CNH	4.4265	0.0249
AUD/USD	0.6585	0.0019
AUD/EUR	0.5991	-0.0042
EUR/USD	1.0991	0.0110
USD/CNH	7.0042	0.0306
GBP/USD	1.2892	0.0051
EUR/GBP	0.8526	0.0052

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.08%	0.84%
2 year swap	0.96%	0.58%
10 year Govt	1.12%	0.85%

Underlying concern around US GDP

The US economy grew at a solid 2.1% annualised rate in the December quarter of 2019, however, the data suggests that the economy may not be as robust to deal with headwinds throughout 2020 as previously expected.

Underlying demand in the US economy was slower than initially reported at the end of last year, putting growth on a weaker footing ahead of the risks from the coronavirus in 2020. Upward revisions in trade and inventories kept GDP expanding at 2.1% annualised, but

consumer spending, which makes up two thirds of the economy, was revised down to 1.7% from 1.8%.

This slowdown in consumer spending suggests that the record long US expansion is more vulnerable to headwinds than previously expected. The expansion relies on consumers swiping their cards, particularly as businesses faced the heightened geopolitical uncertainty and the US/China trade war last year, and now glare into the eyes of the coronavirus.

Most of the data coming out of the US hasn't felt the effects of the virus yet, however forward-looking indicators are pointing to a slowdown in GDP. The virus is having a serious negative effect on the global economy; Japan, Hong Kong, and Italy's economies are already contracting and could be pushed further into the red, and drag other economies down, should the virus persist.

Sound the alarm

The global fear factor was at play again overnight as equity markets remain in a sea of red as more companies announced earnings warnings on corona-related issues. The major indices were down 1.5-3.0% although there was a shining light ... the Shanghai Composite index was up for the day! With the US equity markets deeply negative, US Treasuries continued to make new lows, with the 10 year yield at 1.285% and the 30 year at 1.77%.

The NZD, after taking a dip below 0.6300 yesterday afternoon, has held up relatively well to be currently trading at 0.6320

New Zealand business confidence fell 6 points yesterday to -19 as the New Year optimism evaporated. Interestingly, the responses to the February survey were split 66%/33% before/after the outbreak of coronavirus which, unsurprisingly, saw a notable increase in pessimism from those responding (the 33%) in the later part of the month.

Noticeable were the sharp decreases in the agricultural and manufacturing sectors, with profitability, investment and employment intentions all falling, although the construction sector remained optimistic. Firms expectations for their own activity, a better economic growth indicator, fell 5 points to a net 12% expecting higher activity over the year ahead.

Lastly, here are the coronavirus headlines ... the Australian government activated an emergency plan to deal with an acceleration of the outbreak should it reach pandemic status; Goldman Sachs sees zero earnings growth for US companies this year; Bank of America announced the world economy is the weakest since 2009; and China is preparing to send 100,000 ducks to Pakistan to help tackle swarms of crop-eating locusts (okay, maybe that last one wasn't virus related).

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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	70.84					CAD	0.8446 0.8800
NZD/USD	0.6320	0.0002	0.0005	0.0008	0.0009	CHF	0.6131 0.6388
NZD/AUD	0.9598	-0.0003	-0.0008	-0.0016	-0.0032	CNY	4.4266 4.6122
NZD/JPY	69.46	-0.10	-0.27	-0.53	-1.07	DKK	4.2967 4.4769
NZD/EUR	0.5750	-0.0009	-0.0026	-0.0050	-0.0099	FJD	1.4058 1.4647
NZD/GBP	0.4902	-0.0003	-0.0007	-0.0013	-0.0027	HKD	4.9255 5.1321
						KRW	764.07 796.11
AU TWI	57.40					MYR	2.6594 2.7709
AUD/USD	0.6585	0.0004	0.0011	0.0019	0.0031	NOK	5.9342 6.1831
AUD/NZD	1.0419	0.0003	0.0009	0.0017	0.0035	SEK	6.0976 6.3533
AUD/JPY	72.38	-0.08	-0.22	-0.43	-0.87	SGD	0.8812 0.9181
AUD/EUR	0.5991	-0.0008	-0.0022	-0.0042	-0.0084	TWD	19.14 19.94
AUD/GBP	0.5108	-0.0001	-0.0003	-0.0005	-0.0011	ZAR	9.7600 10.1693
USD Index	98.51						
EUR/USD	1.0991	0.0021	0.0059	0.0110	0.0209	EQUITIES	
USD/JPY	109.92	-0.18	-0.52	-0.97	-1.84		Index
GBP/USD	1.2892	0.0011	0.0029	0.0051	0.0090	NZX50	11,437
EUR/GBP	0.8526	0.0009	0.0026	0.0052	0.0102	ASX200	6,658
						Dow Jones	26,247
						S&P 500	3,064
						FTSE100	6,796
						DAX 30	12,367
						Nikkei	21,948
						COMMODITIES	
							USD
						Dubai Light	51.49
						Brent Crude	51.64
						Gold	1,646.15
						Silver	17.75
						CRB Index	172.59
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		1.10%	1.06%	0.80%	0.78%		
90 day bank bills		1.10%	1.06%	0.86%	0.82%		
FRA 90d in 3mths		0.98%	0.95%	0.65%	0.60%		
FRA 180d in 6mths		0.96%	0.93%	0.60%	0.56%		
1 year swap*		0.98%	0.94%	0.64%	0.63%		
2 year swap*		0.97%	0.94%	0.58%	0.57%		
3 year swap*		0.97%	0.94%	0.59%	0.58%		
5 year swap*		1.01%	0.99%	0.74%	0.73%		
10 year swap*		1.27%	1.24%	1.02%	1.00%		
10 year Govt bond			1.10%		0.85%		

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

SOURCE: Bloomberg

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