



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 3 February 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6471	0.0014
NZD/AUD	0.9665	-0.0015
NZD/JPY	70.19	-0.52
NZD/EUR	0.5837	-0.0051
NZD/GBP	0.4909	-0.0013
NZD/CNH	4.5262	0.0325
AUD/USD	0.6696	0.0024
AUD/EUR	0.6041	-0.0043
EUR/USD	1.1084	0.0120
USD/CNH	6.9945	0.0355
GBP/USD	1.3182	0.0062
EUR/GBP	0.8408	0.0051

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.26%	0.88%
2 year swap	1.09%	0.61%
10 year Govt	1.30%	0.95%

Coronavirus fears grow

Market participants are betting the worries that have rattled markets over the past two weeks are here to stay. Many are bracing for further weakness in stocks and bonds as the impact from the coronavirus outbreak on global economic activity continues to grow and the US Presidential election focus ramps up.

China's central bank has said it will inject approximately USD21.7 billion of liquidity today in order to prevent a sell off from the coronavirus outbreak as

markets open today. The announcement follows further escalation of the outbreak over the weekend. A Wuhan man has passed away in the Philippines from the virus, making him the first death outside of China. Total infections rose to 14,380, with 304 deaths. Airlines in Asia, Europe, the Middle East, Australia and New Zealand have stopped flights to China, while US restrictions on travel to China take effect from Sunday. These travel restrictions come at a time when large numbers of foreign students typically arrive on our shores.

More risk off sentiment priced into the markets on Friday as the US 10 year Treasury yield continued its plunge, reaching 1.50%, levels last seen in September. The 10 year has now fallen 40 basis points across the month of January! US share markets fell approximately 2% on Friday, while gold and the safe haven currencies rallied. Against this, the NZD is continuing to trend lower, having fallen from a January open of 0.6740 to this morning's open of 0.6470.

The AUD fell to GFC level lows, finding support around 0.6680 and hovers around 0.6700 at the time of writing.

Weak EU data

Friday evening saw EU, GDP and CPI disappoint to the downside. Year on year GDP came in at 1.0% against an

expectation of 1.1%, while the core CPI, as measured year on year, printed at 1.1% against a 1.2% expectation.

In the US, the trend of weaker than expected manufacturing data continued as the Chicago PMI print headlined at 42.9 against and expected 48.9, although the Michigan Consumer Sentiment index surprised to the topside highlighting it is the consumer that is holding up the US economy, printing at 99.8 verses an anticipated 99.1.

US impeachment

In the US, it appears that President Trump will be acquitted following Friday's Senate vote against calling witnesses and collecting new evidence as part of the impeachment process. The vote was passed largely along party lines at 51-49 in the Republican controlled Senate. Trump has emerged with little political damage throughout the 4 month process, even though the majority of voters believe he carried out those acts with which he was accused.

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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	71.66					CAD	0.8564 0.8861
NZD/USD	0.6471	0.0003	0.0008	0.0014	0.0018	CHF	0.6244 0.6460
NZD/AUD	0.9665	-0.0001	-0.0005	-0.0015	-0.0040	CNY	4.4669 4.6219
NZD/JPY	70.19	-0.08	-0.26	-0.52	-1.11	DKK	4.3612 4.5125
NZD/EUR	0.5837	-0.0008	-0.0025	-0.0051	-0.0105	FJD	1.4164 1.4656
NZD/GBP	0.4909	-0.0002	-0.0006	-0.0013	-0.0030	HKD	5.0244 5.1988
						KRW	773.36 800.21
AU TWI	58.10					MYR	2.6461 2.7379
AUD/USD	0.6696	0.0003	0.0012	0.0024	0.0047	NOK	5.9610 6.1679
AUD/NZD	1.0347	0.0001	0.0006	0.0016	0.0043	SEK	6.2319 6.4482
AUD/JPY	72.62	-0.07	-0.23	-0.43	-0.85	SGD	0.8838 0.9144
AUD/EUR	0.6041	-0.0008	-0.0023	-0.0043	-0.0084	TWD	19.56 20.24
AUD/GBP	0.5080	-0.0001	-0.0003	-0.0005	-0.0010	ZAR	9.7250 10.0625
USD Index	97.39						
EUR/USD	1.1084	0.0020	0.0061	0.0120	0.0234	EQUITIES	
USD/JPY	108.46	-0.17	-0.53	-1.03	-2.01		Index
GBP/USD	1.3182	0.0010	0.0032	0.0062	0.0119	NZX50	11,717
EUR/GBP	0.8408	0.0008	0.0026	0.0051	0.0101	ASX200	7,017
						Dow Jones	28,256
						S&P 500	3,226
						FTSE100	7,286
						DAX 30	12,982
						Nikkei	23,205
						COMMODITIES	
							USD
						Dubai Light	57.58
						Brent Crude	56.62
						Gold	1,588.29
						Silver	17.99
						CRB Index	180.49

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.23%	1.19%	0.81%	0.79%
90 day bank bills	1.28%	1.24%	0.90%	0.86%
FRA 90d in 3mths	1.17%	1.14%	0.70%	0.65%
FRA 180d in 6mths	1.11%	1.08%	0.67%	0.63%
1 year swap*	1.17%	1.13%	0.68%	0.67%
2 year swap*	1.11%	1.08%	0.62%	0.61%
3 year swap*	1.13%	1.10%	0.63%	0.63%
5 year swap*	1.17%	1.15%	0.80%	0.78%
10 year swap*	1.42%	1.39%	1.09%	1.07%
10 year Govt bond		1.29%		0.95%

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

SOURCE: Bloomberg

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