



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Tuesday 4 February 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6462	0.0014
NZD/AUD	0.9658	-0.0016
NZD/JPY	70.20	-0.53
NZD/EUR	0.5841	-0.0051
NZD/GBP	0.4973	-0.0013
NZD/CNH	4.5339	0.0339
AUD/USD	0.6691	0.0025
AUD/EUR	0.6048	-0.0043
EUR/USD	1.1062	0.0121
USD/CNH	7.0164	0.0374
GBP/USD	1.2993	0.0062
EUR/GBP	0.8514	0.0052

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.27%	0.86%
2 year swap	1.08%	0.60%
10 year Govt	1.24%	0.93%

## Latest news on coronavirus and China

Chinese equity and commodity markets all fell heavily at the open on Monday, in the first trading session after an extended Lunar New Year. The benchmark Shanghai Composite index took most of the attention, opening nearly 9% lower, wiping off almost \$370 billion in market capitalisation.

The Chinese central bank, though, was supportive, with several initiatives to support the market. They unexpectedly lowered the interest rates on reverse repurchase agreements by 10 basis points, lowering the 7 day reverse repo rate to 2.40% from 2.50%, and cutting the

14 day tenor to 2.55% from 2.65%, injecting a total of 1.2 trillion yuan (\$173.81 billion) into domestic money markets.

China's finance ministry also announced it would give subsidies on interest payments to some firms impacted by the coronavirus outbreak. The subsidies will be based on 50% of the interest rate of the loan, for a period of no longer than a year.

Ultimately, the efforts of the Chinese authorities provided comfort to markets with the Shanghai Composite Index eventually closing down 7.7%, while the CNH continues to gradually weaken, appears to be stabilising just above the 7.0100 level against the USD.

Equity markets across the rest of Asia, and Europe, all broadly closed down around the 1% mark, although the US open inspired a small recovery from past session losses.

Within this slightly more optimistic outlook, FX and fixed income markets are stable with the NZD at 0.6460 and the US 10 year treasury at 1.52%. Surprisingly, the one currency that has weakened after recent gains, is the sterling. The pound fell more than a 1% after UK Prime Minister, Boris Johnson, said he wouldn't accept EU standards as a price to pay in order to secure a free trade deal. We can expect more of this political jousting throughout the year as the UK and EU attempt to negotiate a trade deal. Currently NZD/GBP has recovered to 0.4975 from as low as 0.4890.

## Mixed manufacturing PMI data

The manufacturing sector appears to have bottomed out in January as the JP Morgan Global Manufacturing PMI increased to 50.4 from 50.1, with the US and the Eurozone leading the charge. However, the same can't be said about China as its PMI decreased in January, and the outlook with the coronavirus doesn't look bullish.

The US ISM manufacturing survey increased to 50.9 in January from a depressed 47.8 in December, beating the market consensus of 48.5 and signals growth in the sector for the first time in 6 months.

The Chinese Caixin manufacturing index fell from 51.5 to 51.1, although it beat market expectations of 51.0. The Markit Eurozone PMI increased to 47.9 from 47.8 in January.

Gains in the US ISM survey arose from the improvements in the orders and production components, while the employment gauge contracted at a slower pace.

These figures, along with the strong numbers posted for the ISM export index, suggest that the darkest days could be over for American factories. Meanwhile, it's the opposite side of the coin for China as the coronavirus is expected to take its toll on the nation, which should result in a depressed February number and a weaker yuan.

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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	71.91					<b>CAD</b>	0.8592 0.8896
NZD/USD	0.6462	0.0003	0.0007	0.0014	0.0020	<b>CHF</b>	0.6242 0.6463
NZD/AUD	0.9658	-0.0002	-0.0007	-0.0016	-0.0040	<b>CNY</b>	4.5371 4.6977
NZD/JPY	70.20	-0.08	-0.27	-0.53	-1.11	<b>DKK</b>	4.3649 4.5194
NZD/EUR	0.5841	-0.0008	-0.0025	-0.0051	-0.0104	<b>FJD</b>	1.4152 1.4653
NZD/GBP	0.4973	-0.0002	-0.0006	-0.0013	-0.0031	<b>HKD</b>	5.0181 5.1958
						<b>KRW</b>	769.92 797.19
AU TWI	58.10					<b>MYR</b>	2.6577 2.7518
AUD/USD	0.6691	0.0004	0.0012	0.0025	0.0048	<b>NOK</b>	5.9961 6.2084
AUD/NZD	1.0354	0.0002	0.0007	0.0017	0.0043	<b>SEK</b>	6.2323 6.4530
AUD/JPY	72.69	-0.07	-0.23	-0.43	-0.86	<b>SGD</b>	0.8846 0.9159
AUD/EUR	0.6048	-0.0007	-0.0022	-0.0043	-0.0083	<b>TWD</b>	19.57 20.26
AUD/GBP	0.5150	-0.0001	-0.0003	-0.0005	-0.0010	<b>ZAR</b>	9.6272 9.9681
USD Index	97.82						
EUR/USD	1.1062	0.0020	0.0061	0.0121	0.0236	<b>EQUITIES</b>	
USD/JPY	108.65	-0.17	-0.54	-1.05	-2.05		<b>Index</b>
GBP/USD	1.2993	0.0010	0.0031	0.0062	0.0120	<b>NZX50</b>	11,550
EUR/GBP	0.8514	0.0009	0.0027	0.0052	0.0101	<b>ASX200</b>	6,923
						<b>Dow Jones</b>	28,417
						<b>S&amp;P 500</b>	3,253
						<b>FTSE100</b>	7,326
						<b>DAX 30</b>	13,045
						<b>Nikkei</b>	22,972
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	55.07
						<b>Brent Crude</b>	54.75
						<b>Gold</b>	1,576.85
						<b>Silver</b>	17.66
						<b>CRB Index</b>	178.46
<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		1.23%	1.19%	0.81%	0.79%		
90 day bank bills		1.29%	1.25%	0.88%	0.84%		
FRA 90d in 3mths		1.13%	1.05%	0.67%	0.62%		
FRA 180d in 6mths		1.05%	1.02%	0.65%	0.61%		
1 year swap*		1.13%	1.10%	0.66%	0.65%		
2 year swap*		1.09%	1.06%	0.61%	0.60%		
3 year swap*		1.08%	1.06%	0.61%	0.60%		
5 year swap*		1.12%	1.10%	0.77%	0.76%		
10 year swap*		1.39%	1.37%	1.05%	1.05%		
10 year Govt bond			1.22%		0.93%		

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

SOURCE: Bloomberg

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