



# MARKET ALERT

Tuesday 10 March 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6352	-0.0025
NZD/AUD	0.9622	-0.0023
NZD/JPY	64.91	-0.68
NZD/EUR	0.5543	-0.0059
NZD/GBP	0.4849	-0.0025
NZD/CNH	4.4138	0.0153
AUD/USD	0.6602	-0.0010
AUD/EUR	0.5761	-0.0048
EUR/USD	1.1460	0.0079
USD/CNH	6.9490	0.0515
GBP/USD	1.3103	0.0015
EUR/GBP	0.8746	0.0050

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.50%
90 day bills	0.87%	0.55%
2 year swap	0.74%	0.51%
10 year Govt	0.84%	0.61%

## Manic Monday

Markets from oil to equities to foreign exchange and interest rates experienced a wild ride on Monday as a lack of liquidity amplified coronavirus and recession fears.

After Italy announced a huge jump in new coronavirus cases and deaths and proceeded to lock down a large area of the country at the end of the weekend, fears of recession gradually reached a crescendo when Saudi Arabia announced a jump in oil production following a spat with Russia.

The price of crude oil sunk 34% early on Monday and investors rushed to safe

havens — namely US Treasuries, gold and the Japanese yen.

As Asian markets opened, low levels of liquidity caused a brief ‘flash crash’. The usual suspects including commodity linked currencies such as the NZD and AUD got hammered and safe havens benefitted. The NZD/USD fell 3 cents (to 0.6014) in as many seconds, but quickly retraced half of those losses. It then proceeded to eek back gains to where it started the day and climbed as high as 0.6448 overnight, settling at 0.6350 this morning.

The Australian ASX closed the day down 7.5% and other equity markets were similarly affected, although the NZX managed to get off relatively lightly — only 3.0% lower at the close. US equities extended losses past 7.0% as trading was automatically halted in the S&P500 only four minutes into the trading session, triggering circuit breakers that eliminated any trading for 15 minutes.

US Treasury yields were in free fall as the 10 year yield hit 0.31% and the 30 year yield sunk to 0.70% as the market moved deeper into safe haven territory. The markets are clearly expecting another big move from the Fed, and in short order, with recession signs flashing red.

## RBNZ and Government try to calm markets

A multipronged approach is being used to sooth fears and provide support for organisations being impacted by

the effects of the coronavirus. Jacinda Ardern and Grant Robertson announced a ‘business continuity package’ which was agreed to by Cabinet on Monday and will be finalised in the coming days, before detailed announcements are made next week. This will introduce a targeted wage subsidy for businesses hurt by coronavirus, allowing them to keep on employees that they otherwise couldn’t afford. There will also be some targeted tax help for businesses hurt by the virus’ economic effect, with possible deferred payments and relief for small businesses impacted.

Meanwhile the RBNZ released a statement saying that it was monitoring banks closely to ensure they are prepared for the coronavirus and as part of that, that they should stay well attuned to any impacts on their customer’s businesses and employees.

Adrian Orr noted that *“while we have not seen any significant pressures at this stage, we remain in regular contact with stakeholders across the financial sector. At the Reserve Bank we are prepared in our business continuity role to ensure a well-functioning financial system, including enabling access to cash, ensuring sufficient liquidity in the banking system, and managing a stable payments and settlements system.”*

Mr Orr said *“all businesses should be preparing for possible disruptions from COVID-19. Think about how best to operate if staff are temporarily unavailable, or if suppliers have restricted stock, cash-flows are interrupted, and sales decline in some sectors.”*

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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	70.37					<b>CAD</b>	0.8661	0.9002
NZD/USD	0.6352	-0.0005	-0.0014	-0.0025	-0.0039	<b>CHF</b>	0.5873	0.6104
NZD/AUD	0.9622	-0.0007	-0.0015	-0.0023	-0.0028	<b>CNY</b>	4.4120	4.5855
NZD/JPY	64.91	-0.17	-0.39	-0.68	-1.24	<b>DKK</b>	4.1383	4.3010
NZD/EUR	0.5543	-0.0014	-0.0034	-0.0059	-0.0105	<b>FJD</b>	1.4010	1.4561
NZD/GBP	0.4849	-0.0006	-0.0015	-0.0025	-0.0038	<b>HKD</b>	4.9378	5.1320
						<b>KRW</b>	762.46	792.46
AU TWI	56.40					<b>MYR</b>	2.6664	2.7713
AUD/USD	0.6602	0.0000	-0.0004	-0.0010	-0.0021	<b>NOK</b>	6.0412	6.2789
AUD/NZD	1.0393	0.0007	0.0017	0.0025	0.0030	<b>SEK</b>	5.9726	6.2076
AUD/JPY	67.46	-0.13	-0.30	-0.55	-1.09	<b>SGD</b>	0.8792	0.9137
AUD/EUR	0.5761	-0.0010	-0.0026	-0.0048	-0.0092	<b>TWD</b>	19.11	19.87
AUD/GBP	0.5038	-0.0003	-0.0008	-0.0014	-0.0025	<b>ZAR</b>	10.2809	10.6853
USD Index	94.89							
EUR/USD	1.1460	0.0019	0.0044	0.0079	0.0149	<b>EQUITIES</b>		
USD/JPY	102.19	-0.19	-0.39	-0.68	-1.33			<b>Index</b>
GBP/USD	1.3103	0.0007	0.0012	0.0015	0.0022	<b>NZX50</b>		11,092
EUR/GBP	0.8746	0.0010	0.0026	0.0050	0.0099	<b>ASX200</b>		5,761
						<b>Dow Jones</b>		24,033
						<b>S&amp;P 500</b>		2,758
						<b>FTSE100</b>		5,966
						<b>DAX 30</b>		10,625
						<b>Nikkei</b>		19,699
						<b>COMMODITIES</b>		
								<b>USD</b>
						<b>Dubai Light</b>		33.87
						<b>Brent Crude</b>		35.00
						<b>Gold</b>		1,680.35
						<b>Silver</b>		17.01
						<b>CRB Index</b>		153.71

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.02%	0.98%	0.60%	0.58%
90 day bank bills	0.89%	0.85%	0.57%	0.53%
FRA 90d in 3mths	0.77%	0.74%	0.50%	0.45%
FRA 180d in 6mths	0.77%	0.74%	0.60%	0.56%
1 year swap*	0.78%	0.74%	0.51%	0.50%
2 year swap*	0.75%	0.73%	0.52%	0.50%
3 year swap*	0.74%	0.71%	0.57%	0.55%
5 year swap*	0.76%	0.73%	0.70%	0.68%
10 year swap*	0.97%	0.93%	0.85%	0.84%
10 year Govt bond		0.82%		0.61%

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

SOURCE: Bloomberg

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