



MARKET ALERT

Wednesday 11 March 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6262	-0.0018
NZD/AUD	0.9648	-0.0017
NZD/JPY	65.93	-0.59
NZD/EUR	0.5546	-0.0052
NZD/GBP	0.4852	-0.0019
NZD/CNH	4.3601	0.0176
AUD/USD	0.6491	-0.0007
AUD/EUR	0.5748	-0.0044
EUR/USD	1.1292	0.0075
USD/CNH	6.9627	0.0480
GBP/USD	1.2906	0.0013
EUR/GBP	0.8749	0.0049

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.50%
90 day bills	0.87%	0.57%
2 year swap	0.76%	0.57%
10 year Govt	0.92%	0.79%

Just another manic Tuesday

Another volatile day in financial markets with wide equity swings, commodity bounces, a USD recovery, and further data releases. US equities have been on a roller coaster ride with the Dow ranging from -100 to +900 on the day. It is currently sitting up 600 points to show a 'modest' 2.5% gain.

Oil also had a small 3.5% recovery after Russia announced it would start fresh talks with OPEC, while gold gave up some of the previous days gains, selling off fourteen dollars. The USD staged a modest 1.5% recovery following the stagnant EU December quarter GDP

print, up 0.1% and 1.0% for the year, which also saw the NZD and AUD weaken a touch.

The overnight rally came from the Trump administration unveiling fiscal stimulus measures, but the lack of detail in his announcement put a cap on the advance. Tump told lawmakers that he wants a payroll tax holiday, proposed to counter the fallout from the spreading coronavirus.

With the markets on edge, signs have started to mount that governments around the world are awaking to the need for stimulus measures to combat the virus that is threatening a global recession.

RBNZ on unconventional policy

Yesterday, in a well publicised speech, RBNZ Governor, Adrian Orr, stated he has several other tools with which to influence the economy should interest rates decline to zero. Such "unconventional" monetary policy options could potentially incorporate; purchasing NZ government bonds and interest rate swaps to lower rates, the purchasing of foreign assets to weaken the NZD, long term loans to banks on the condition they lend more to businesses and consumers, and implementing measures to stop banks hoarding cash.

The prerequisites for using such unconventional policy tools would include the capacity to meet the central

bank's statutory goals for inflation and employment.

The RBNZ also announced it may change the way it guides market expectations for interest rates by publishing a forecast "shadow" rate that shows the combined stimulus from the cash rate and other policy tools.

Weak ANZ NZ business outlook

Businesses are extremely concerned about the upcoming impacts of the coronavirus outbreak, especially in the export sector, as all business outlook activity indicators fell for the preliminary March report.

Business confidence, employment and investment intentions gave up their gains seen late last year. Business confidence fell to a net -53.3 from a net -19.4, while employment and investment intentions went back into the red.

Firms expected own activity was the lowest reading since March 2009 and the expectations for exports was the lowest reading ever recorded, a net 22% of firms expecting lower exports. Meanwhile, inflation expectations fell to their 2019 lows too.

Markets didn't react to the data as it was mostly priced into all markets. The RBNZ and the Treasury are working together to create a combined easing package for NZ businesses and employees negatively affected by the virus, with more details emerging next week.

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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	69.89					CAD 0.8599	0.8913
NZD/USD	0.6262	-0.0002	-0.0009	-0.0018	-0.0032	CHF 0.5880	0.6094
NZD/AUD	0.9648	-0.0004	-0.0012	-0.0017	-0.0023	CNY 4.3565	4.5154
NZD/JPY	65.93	-0.12	-0.32	-0.59	-1.13	DKK 4.1447	4.2959
NZD/EUR	0.5546	-0.0011	-0.0029	-0.0052	-0.0098	FJD 1.3804	1.4307
NZD/GBP	0.4852	-0.0004	-0.0011	-0.0019	-0.0032	HKD 4.8661	5.0436
						KRW 743.92	771.06
AU TWI	56.60					MYR 2.6753	2.7729
AUD/USD	0.6491	0.0000	-0.0002	-0.0007	-0.0017	NOK 6.0107	6.2300
AUD/NZD	1.0365	0.0004	0.0013	0.0019	0.0025	SEK 5.9718	6.1896
AUD/JPY	68.34	-0.10	-0.25	-0.49	-1.01	SGD 0.8715	0.9032
AUD/EUR	0.5748	-0.0009	-0.0023	-0.0044	-0.0087	TWD 18.79	19.47
AUD/GBP	0.5029	-0.0002	-0.0005	-0.0010	-0.0021	ZAR 9.9721	10.3359
USD Index	96.47						
EUR/USD	1.1292	0.0018	0.0042	0.0075	0.0144	EQUITIES	
USD/JPY	105.29	-0.15	-0.36	-0.64	-1.28		Index
GBP/USD	1.2906	0.0006	0.0010	0.0013	0.0020	NZX50	10,897
EUR/GBP	0.8749	0.0010	0.0025	0.0049	0.0098	ASX200	5,940
						Dow Jones	24,551
						S&P 500	2,831
						FTSE100	5,960
						DAX 30	10,475
						Nikkei	19,867
						COMMODITIES	
							USD
						Dubai Light	33.97
						Brent Crude	37.80
						Gold	1,651.24
						Silver	16.94
						CRB Index	159.92

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.02%	0.98%	0.62%	0.60%
90 day bank bills	0.89%	0.85%	0.59%	0.55%
FRA 90d in 3mths	0.83%	0.76%	0.51%	0.46%
FRA 180d in 6mths	0.81%	0.77%	0.63%	0.59%
1 year swap*	0.82%	0.79%	0.53%	0.52%
2 year swap*	0.78%	0.75%	0.58%	0.57%
3 year swap*	0.78%	0.75%	0.63%	0.61%
5 year swap*	0.82%	0.79%	0.77%	0.76%
10 year swap*	1.04%	1.01%	0.96%	0.95%
10 year Govt bond		0.90%		0.79%

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

SOURCE: Bloomberg

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