



# MARKET ALERT

Thursday 12 March 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6278	-0.0018
NZD/AUD	0.9675	-0.0013
NZD/JPY	65.54	-0.57
NZD/EUR	0.5568	-0.0052
NZD/GBP	0.4892	-0.0020
NZD/CNH	4.3745	0.0153
AUD/USD	0.6489	-0.0010
AUD/EUR	0.5756	-0.0046
EUR/USD	1.1274	0.0074
USD/CNH	6.9676	0.0450
GBP/USD	1.2833	0.0016
EUR/GBP	0.8785	0.0046

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.50%
90 day bills	0.91%	0.57%
2 year swap	0.77%	0.52%
10 year Govt	0.98%	0.68%

## WHO declares coronavirus a pandemic

The World Health Organization has declared coronavirus a pandemic. The announcement came as China reported a rise in coronavirus infections imported from abroad, while the number of cases in the USA topped 1,000. German Chancellor, Angela Merkel, also announced that 60%-70% of the German population could get infected.

Stocks and oil plunged while safe havens spiked on a combination of the pandemic announcement and the Trump administration being unable

to deliver on any details around its stimulus measures; the combination of the two have put US and global indices on the verge of a bear market with US equities now 20% off their highs. Interestingly, FX and fixed income markets have been more stable.

The NZD has held its own against the main crosses, it trades around 0.6290 against the USD. The AUD was a little worse off as Australia declared a tier 2 state of emergency for the state of Victoria, which could force the closure of schools, universities, workplaces and major events. The AUD/USD trades around 0.6500 which pushed the NZD/AUD up to around 0.9675 at the time of writing. The US 10 year treasury is currently trading at 0.82%, gold is off one percent, while oil remains volatile selling off 4%.

## Central bank activity

The BoE unexpectedly cut interest rates 50 basis points to 0.25%, and in a co-ordinated measure the British Chancellor unveiled a GBP30 billion spending package as it tries to tackle a coronavirus slowdown, stating that *“coronavirus will have a significant impact on our economy, but it will be temporary.”* Breaking it down, GBP7 billion will be made available to support the labour market, GBP5 billion will be used to help the health-care system, with a further GBP18 billion available for *“fiscal loosening”* in support of the UK economy.

The fiscal stimulus came amid poor UK data releases with monthly GDP printing flat at 0.0% against a 0.3% expectation, and the annual print at 0.6% against a 0.9% expectation. In unrelated news, British MPs are calling for Prime Minister, Boris Johnson, to be tested for coronavirus after the Health Minister contracted the virus!

While the BoE has elected to use its ammunition, it will be interesting to see the ECB’s stance at its meeting tonight. ECB President, Christine Lagarde, was reported overnight to have told EU leaders in a conference call that policymakers were looking at all tools ahead of the meeting, particularly ones to provide *“super-cheap”* funding.

ECB watchers are guessing this will involve a further interest rate cut, lowering rates further into negative territory, and the establishment of a liquidity package to increase lending to EU banks, that will be used to facilitate lending at negative interest rates to businesses and SMEs.

The Federal Reserve has also been active injecting liquidity into the system by providing USD175 billion into the overnight repo market.

Today it is expected Australian Prime Minister, Scott Morrison, will unveil a AUD2.4 billion coronavirus health package and a *“substantial”* economic stimulus package in an attempt to avert the possibility of the Australian economy entering a recession following 29 years of uninterrupted economic growth.

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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	70.12					<b>CAD</b>	0.8650 0.8940
NZD/USD	0.6278	-0.0003	-0.0010	-0.0018	-0.0033	<b>CHF</b>	0.5890 0.6087
NZD/AUD	0.9675	-0.0004	-0.0009	-0.0013	-0.0019	<b>CNY</b>	4.3700 4.5168
NZD/JPY	65.54	-0.12	-0.32	-0.57	-1.09	<b>DKK</b>	4.1612 4.3009
NZD/EUR	0.5568	-0.0011	-0.0030	-0.0052	-0.0098	<b>FJD</b>	1.3972 1.4442
NZD/GBP	0.4892	-0.0005	-0.0012	-0.0020	-0.0035	<b>HKD</b>	4.8778 5.0416
						<b>KRW</b>	749.07 774.23
AU TWI	56.20					<b>MYR</b>	2.6707 2.7604
AUD/USD	0.6489	0.0000	-0.0004	-0.0010	-0.0022	<b>NOK</b>	6.0874 6.2919
AUD/NZD	1.0336	0.0004	0.0010	0.0014	0.0020	<b>SEK</b>	5.9798 6.1806
AUD/JPY	67.75	-0.09	-0.26	-0.50	-1.00	<b>SGD</b>	0.8757 0.9051
AUD/EUR	0.5756	-0.0009	-0.0025	-0.0046	-0.0090	<b>TWD</b>	18.88 19.52
AUD/GBP	0.5056	-0.0003	-0.0008	-0.0014	-0.0026	<b>ZAR</b>	10.2224 10.5657
USD Index	96.56						
EUR/USD	1.1274	0.0017	0.0042	0.0074	0.0141	<b>EQUITIES</b>	
USD/JPY	104.42	-0.14	-0.34	-0.60	-1.20		<b>Index</b>
GBP/USD	1.2833	0.0007	0.0012	0.0016	0.0024	<b>NZX50</b>	10,874
EUR/GBP	0.8785	0.0008	0.0025	0.0046	0.0094	<b>ASX200</b>	5,726
						<b>Dow Jones</b>	23,392
						<b>S&amp;P 500</b>	2,741
						<b>FTSE100</b>	5,877
						<b>DAX 30</b>	10,439
						<b>Nikkei</b>	19,416
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	33.88
						<b>Brent Crude</b>	35.89
						<b>Gold</b>	1,634.74
						<b>Silver</b>	16.70
						<b>CRB Index</b>	156.88

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.06%	1.02%	0.61%	0.59%
90 day bank bills	0.93%	0.89%	0.59%	0.55%
FRA 90d in 3mths	0.79%	0.76%	0.49%	0.44%
FRA 180d in 6mths	0.76%	0.73%	0.58%	0.54%
1 year swap*	0.77%	0.73%	0.50%	0.49%
2 year swap*	0.78%	0.75%	0.53%	0.52%
3 year swap*	0.79%	0.76%	0.58%	0.57%
5 year swap*	0.83%	0.80%	0.77%	0.76%
10 year swap*	1.06%	1.02%	0.98%	0.98%
10 year Govt bond		0.96%		0.68%

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

SOURCE: Bloomberg

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