



MARKET ALERT

Friday 13 March 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6146	-0.0017
NZD/AUD	0.9729	-0.0013
NZD/JPY	64.71	-0.58
NZD/EUR	0.5496	-0.0051
NZD/GBP	0.4883	-0.0020
NZD/CNH	4.3189	0.0138
AUD/USD	0.6317	-0.0009
AUD/EUR	0.5649	-0.0045
EUR/USD	1.1183	0.0073
USD/CNH	7.0277	0.0419
GBP/USD	1.2588	0.0018
EUR/GBP	0.8884	0.0046

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.50%
90 day bills	0.90%	0.57%
2 year swap	0.73%	0.52%
10 year Govt	1.02%	0.77%

Central Banks and Govts fail to stop the rot

Stocks plummeted once again overnight after moves by President Trump, the Fed, and the ECB failed to quell concerns over an economic slowdown stemming from the coronavirus.

President Trump failed to provide comfort to market participants with a raft of poorly received public announcements. His limits on travel with Europe, financial relief for workers who are ill, and, caring for others with the virus was deemed to be too little too late.

The Fed announced it will ramp up its repo operations increasing liquidity by more than USD500 billion overnight with an additional USD1 trillion available on Friday. In total, an injection of USD1.5 trillion, adding *“These changes are being made to address highly unusual disruptions in Treasury financing markets associated with the coronavirus outbreak.”* The Fed also expanded the types of securities it would purchase with reserves.

The ECB also disappointed the market by not cutting rates further, but its upcoming changes in TLTROs should have a similar effect to a 25 basis point cut. The ECB will offer unlimited liquidity at the deposit rate to provide bridge financing, it will lower the rate on its longer term refinancing operations to banks by 25bps, and the governing council will increase the stock of its bond purchases by EUR120 billion this year. Today's package will mitigate some of the risks to the outlook but more stimulus could be necessary if the dangers of the outbreak and the measures to contain it prove more disruptive than expected or demand weakness is prolonged.

Currently markets are a sea of red. US equities followed the steep falls across Asia and Europe and are trading down 8% after tripping the circuit breaker on open, the German exchange, the Dax, closed down 12%, bitcoin is down 24%, WTI crude and Brent oil are down 4.5% and 7% respectively, and even gold is

down 4%! US treasury are also down on safe haven buying, with the 2, 10 and 30 years currently at 0.49%, 0.84% and 1.40% respectively. The Fed's support of the repo market has provided some support to the USD index, which is up to 1%, and this has seen the NZD and AUD weaken to 0.6160 and 0.6335 respectively. The NZD/AUD has cracked the top side to be at 0.9730.

More of the same ...

Mohamed El-Erian, chief economic adviser at Allianz, and probably the most sought after economic commentator globally, announced *“We are going into a global recession.”*

Japanese investors bought a record USD41 billion of overseas bonds in one week, showing how desperate the cash rich Japanese are to lock in yields.

British finance minister, Rishi Sunak, and BoE Governor, Mark Carney, met with UK banking industry representatives to urge them to support small and medium sized companies hit by the spread of coronavirus.

The leading US infectious disease official said the testing system in the country is failing and is not ready to ramp up to test more Americans.

At last, some good news ... China announced the peak of the coronavirus outbreak is, *“generally over!”*

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

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FX	Spot		FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.42					CAD	0.8508	0.8745
NZD/USD	0.6146	-0.0002	-0.0009	-0.0017	-0.0032	CHF	0.5811	0.5973
NZD/AUD	0.9729	-0.0002	-0.0008	-0.0013	-0.0018	CNY	4.3200	4.4406
NZD/JPY	64.71	-0.12	-0.32	-0.58	-1.12	DKK	4.1066	4.2212
NZD/EUR	0.5496	-0.0009	-0.0027	-0.0051	-0.0095	FJD	1.3661	1.4043
NZD/GBP	0.4883	-0.0004	-0.0012	-0.0020	-0.0035	HKD	4.7793	4.9127
						KRW	741.96	762.67
AU TWI	56.00					MYR	2.6670	2.7414
AUD/USD	0.6317	0.0000	-0.0003	-0.0009	-0.0021	NOK	6.2075	6.3807
AUD/NZD	1.0279	0.0002	0.0009	0.0013	0.0019	SEK	5.9465	6.1124
AUD/JPY	66.52	-0.11	-0.27	-0.51	-1.03	SGD	0.8666	0.8907
AUD/EUR	0.5649	-0.0008	-0.0023	-0.0045	-0.0087	TWD	18.51	19.02
AUD/GBP	0.5018	-0.0003	-0.0008	-0.0014	-0.0027	ZAR	10.1194	10.4018
USD Index	97.44							
EUR/USD	1.1183	0.0015	0.0039	0.0073	0.0138	EQUITIES		
USD/JPY	105.30	-0.17	-0.37	-0.66	-1.29			Index
GBP/USD	1.2588	0.0007	0.0013	0.0018	0.0026	NZX50		10,333
EUR/GBP	0.8884	0.0007	0.0021	0.0046	0.0091	ASX200		5,305
						Dow Jones		21,524
						S&P 500		2,549
						FTSE100		5,237
						DAX 30		9,161
						Nikkei		18,560
						COMMODITIES		
								USD
						Dubai Light		31.95
						Brent Crude		33.23
						Gold		1,577.32
						Silver		15.79
						CRB Index		150.67

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.03%	0.99%	0.61%	0.59%
90 day bank bills	0.92%	0.88%	0.59%	0.55%
FRA 90d in 3mths	0.74%	0.71%	0.49%	0.44%
FRA 180d in 6mths	0.72%	0.69%	0.59%	0.55%
1 year swap*	0.77%	0.75%	0.50%	0.49%
2 year swap*	0.75%	0.72%	0.53%	0.51%
3 year swap*	0.76%	0.73%	0.59%	0.56%
5 year swap*	0.85%	0.82%	0.81%	0.80%
10 year swap*	1.09%	1.06%	1.05%	1.04%
10 year Govt bond		1.00%		0.77%

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

SOURCE: Bloomberg

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