



MARKET ALERT

Friday 13 March 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.5978	-0.0020
NZD/AUD	0.9752	-0.0018
NZD/JPY	64.15	-0.67
NZD/EUR	0.5401	-0.0057
NZD/GBP	0.4870	-0.0027
NZD/CNH	4.2003	0.0109
AUD/USD	0.6130	-0.0009
AUD/EUR	0.5540	-0.0049
EUR/USD	1.1064	0.0082
USD/CNH	7.0299	0.0416
GBP/USD	1.2271	0.0028
EUR/GBP	0.9016	0.0046

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.50%
90 day bills	0.90%	0.62%
2 year swap	0.61%	0.64%
10 year Govt	1.20%	0.98%

RBNZ and the Government join the party

This morning the RBNZ announced a 75 basis point cut lowering the OCR to 0.25%. This is the largest coronavirus-related interest rate cut to date.

The move was in response to the coronavirus and follows the lead taken by many of our trading partners. In rationalising the cut, RBNZ Governor, Adrian Orr stated the 0.25% OCR will remain in place for at least 12 months, adding that the negative economic implications of coronavirus continue to

rise and that the impact on economy is and will be, significant. In signalling an end to the interest rate cutting cycle, the RBNZ added that bond purchases are preferred to further OCR cuts if more stimulus is needed and the recently imposed capital restrictions on domestic banks will be delayed for 12 months which should boost bank credit lines by NZ\$47 billion. There will also be an RBNZ news conference at 11:00am NZ time. The scheduled OCR meeting on the 25 March has been cancelled.

In alignment with the RBNZ, the Government also stepped up to the table announcing all people arriving in NZ, will be required to self-isolate for two weeks in an attempt to slow the spread of coronavirus. Ms. Ardern stated *“Cabinet made far reaching and unprecedented decisions today because these are unprecedented circumstances,”* adding *“Alongside Israel and a small number of Pacific Islands who have effectively closed their borders, this decision will mean New Zealand will have the widest ranging and toughest border restrictions of any country in the world.”*

Ghost towns

Governments globally have begun implementing a series of measures to limit gatherings to slow the spread of the virus. Australia joined New Zealand in imposing a 14 day isolation period, the US increased its European travel ban to

include the UK and Ireland, while the Netherlands, France and Spain imposed strict measures essentially bringing their economies to a standstill.

In the US, the Fed ramped up the amount of cash its prepared to inject into funding markets over the next month, promising a cumulative total above USD5 trillion, in a signal that the US will do whatever it takes to keep short term financing rates from spiking. Meanwhile the US government also (finally) passed the coronavirus relief package on Saturday morning which will support American workers and businesses with tax and wage support.

The volatility continued over the weekend as the USD strengthened on the back of the Fed’s statement about injecting cash into the repo markets, sending the NZD/USD below 0.6000. The NZD/AUD had more of a volatile weekend as different market sources stated different highs and lows; one reads a high of 1.003 before returning back to 0.9750 this morning, while another source sees a high of 0.9850. US equities rose around 10% on Saturday after entering a bear market on the Friday, highlighting the amount of volatility and uncertainty in the market. Gold was hit hard as the market had to cover margin calls on their stock and bond portfolio. US Treasury bond yields rose as companies needed cash on their balance sheet, the 10 year yield now sits around 0.9603%.

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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	68.61					CAD	0.8300 0.8511
NZD/USD	0.5978	-0.0003	-0.0010	-0.0020	-0.0035	CHF	0.5864 0.6013
NZD/AUD	0.9752	-0.0004	-0.0009	-0.0018	-0.0026	CNY	4.2590 4.3673
NZD/JPY	64.15	-0.20	-0.41	-0.67	-1.31	DKK	4.0348 4.1374
NZD/EUR	0.5401	-0.0013	-0.0032	-0.0057	-0.0100	FJD	1.3727 1.4076
NZD/GBP	0.4870	-0.0008	-0.0018	-0.0027	-0.0039	HKD	4.6443 4.7624
						KRW	737.90 756.66
AU TWI	55.10					MYR	2.6309 2.6978
AUD/USD	0.6130	-0.0001	-0.0004	-0.0009	-0.0020	NOK	6.0958 6.2508
AUD/NZD	1.0254	0.0004	0.0010	0.0019	0.0027	SEK	5.8499 5.9987
AUD/JPY	65.79	-0.17	-0.35	-0.57	-1.17	SGD	0.8443 0.8658
AUD/EUR	0.5540	-0.0012	-0.0027	-0.0049	-0.0088	TWD	18.30 18.77
AUD/GBP	0.4995	-0.0006	-0.0013	-0.0019	-0.0027	ZAR	9.7864 10.0352
USD Index	98.75						
EUR/USD	1.1064	0.0022	0.0047	0.0082	0.0144	EQUITIES	
USD/JPY	107.34	-0.27	-0.50	-0.77	-1.58		Index
GBP/USD	1.2271	0.0014	0.0024	0.0028	0.0028	NZX50	9,827
EUR/GBP	0.9016	0.0007	0.0020	0.0046	0.0096	ASX200	5,539
						Dow Jones	23,186
						S&P 500	2,711
						FTSE100	5,366
						DAX 30	9,232
						Nikkei	17,431
						COMMODITIES	
							USD
						Dubai Light	33.14
						Brent Crude	33.85
						Gold	1,529.07
						Silver	14.68
						CRB Index	149.50

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.02%	0.98%	0.66%	0.64%
90 day bank bills	0.92%	0.88%	0.64%	0.60%
FRA 90d in 3mths	0.81%	0.78%	0.60%	0.55%
FRA 180d in 6mths	0.79%	0.76%	0.68%	0.64%
1 year swap*	0.84%	0.82%	0.59%	0.58%
2 year swap*	0.62%	0.60%	0.64%	0.63%
3 year swap*	0.67%	0.65%	0.70%	0.69%
5 year swap*	0.81%	0.79%	0.94%	0.93%
10 year swap*	1.18%	1.16%	1.28%	1.26%
10 year Govt bond		1.17%		0.98%

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

SOURCE: Bloomberg

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