



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Wednesday 18 March 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.5943	-0.0015
NZD/AUD	0.9918	-0.0018
NZD/JPY	64.05	-0.65
NZD/EUR	0.5402	-0.0054
NZD/GBP	0.4912	-0.0026
NZD/CNH	4.1792	0.0085
AUD/USD	0.5993	-0.0004
AUD/EUR	0.5446	-0.0044
EUR/USD	1.1004	0.0082
USD/CNH	7.0319	0.0324
GBP/USD	1.2100	0.0033
EUR/GBP	0.9094	0.0043

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.50%
90 day bills	0.66%	0.55%
2 year swap	0.70%	0.55%
10 year Govt	1.25%	1.03%

The equity ying continues to impact the NZD yang

With European equity markets rallying 1-2% overnight, and US markets up 4% (based on the S&P500), the US dollar index, a measurement of the US dollar against a basket of currencies, has rebounded to pre-coronavirus levels.

On the 20th of February the US index peaked at 99.91, a three-year high. Since then, the coronavirus impact saw it sell-off 5% but, as of this morning, it has essentially recovered all of those gains. This is important as the US strength is weighing on the NZD, which is down this morning trading at 0.5950, but, the impact has been even greater on the

AUD which has seen the NZD/AUD cross rally to 0.9925.

In the US, the number of Covid-19 infections surpassed 5,000 from just over 1,000 a week ago, with the vast majority in Washington, New York and California. With a new coronavirus test kit being fast-tracked through the FDA approval process, we can expect this number to increase expeditiously as testing ramps up.

Economic growth in the Asia-Pacific region in 2020 will fall below 3% according to the ratings agency S&P Global Ratings, who added, *“an enormous first-quarter shock in China, shutdowns across the US and Europe, and local virus transmission guarantees a deep recession across Asia-Pacific.”*

Governments step up

The New Zealand government announced a NZD12.1 billion fiscal spending budget that will be used to counter the economic impacts of the coronavirus. The response is big by international standards at 4% of GDP. Of the \$12bn, \$6bn is expected to be spent to June 2020, with the remainder spread over the following three fiscal years.

The package includes:

- Wage subsidies for businesses affected by COVID-19 in all regions and sectors for 12 weeks (\$5.1bn).
- Increased benefit support of \$25 per week and an increase in the Winter Energy Payment (\$2.8bn) — both are permanent.

- Business tax changes to free up cash flow (\$2.8bn), including re-introducing building depreciation, a provisional tax threshold lift, and writing off interest on late tax payments.
- A boost to health spending (\$0.5bn); and
- Smaller initiatives including a self-isolation support, a worker redeployment package, and an aviation support package.

Markets rallied slightly on the news of the huge fiscal stimulus announcement and the market believes this is a step in the right direction. All eyes are on the budget that will be announced in May which could see more of the same stimulus and perhaps a more targeted approach to those industries who need it most.

U.S. Treasury Secretary Steven Mnuchin is pitching a \$850 billion economic stimulus package to the Republican led Senate as the Trump administration works to craft more legislation to cushion the economic blow of the coronavirus pandemic. The stimulus plan will include roughly \$50 billion for the airline industry, as well as billions of dollars in general stimulus that could include a payroll tax cut.

The British pound took another beating after the UK Chancellor, Rishi Sunak, announced the government would be making available £330 billion of loan guarantees to businesses in a bid to combat the negative impact of Covid-19, and support workers and firms hurt by the outbreak. This was in addition to last week’s emergency package of £30 billion.

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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	68.32					CAD	0.8452	0.8522
NZD/USD	0.5943	-0.0002	-0.0007	-0.0015	-0.0029	CHF	0.5709	0.5756
NZD/AUD	0.9918	-0.0003	-0.0010	-0.0018	-0.0031	CNY	4.1629	4.1975
NZD/JPY	64.05	-0.23	-0.41	-0.65	-1.13	DKK	4.0367	4.0703
NZD/EUR	0.5402	-0.0016	-0.0032	-0.0054	-0.0095	FJD	1.3557	1.3669
NZD/GBP	0.4912	-0.0010	-0.0018	-0.0026	-0.0039	HKD	4.6138	4.6522
						KRW	736.71	742.84
AU TWI	53.70					MYR	2.6162	2.6380
AUD/USD	0.5993	0.0000	-0.0002	-0.0004	-0.0011	NOK	6.2236	6.2753
AUD/NZD	1.0083	0.0003	0.0010	0.0019	0.0032	SEK	5.8729	5.9217
AUD/JPY	64.62	-0.22	-0.35	-0.53	-0.94	SGD	0.8505	0.8575
AUD/EUR	0.5446	-0.0015	-0.0027	-0.0044	-0.0079	TWD	17.97	18.12
AUD/GBP	0.4953	-0.0009	-0.0013	-0.0017	-0.0024	ZAR	9.8550	9.9369
USD Index	99.49							
EUR/USD	1.1004	0.0029	0.0053	0.0082	0.0142	EQUITIES		
USD/JPY	107.84	-0.36	-0.55	-0.82	-1.38			Index
GBP/USD	1.2100	0.0021	0.0029	0.0033	0.0037	NZX50		9,434
EUR/GBP	0.9094	0.0008	0.0022	0.0043	0.0089	ASX200		5,293
						Dow Jones		20,931
						S&P 500		2,533
						FTSE100		5,295
						DAX 30		8,939
						Nikkei		17,012
						COMMODITIES		
								USD
						Dubai Light		29.85
						Brent Crude		28.67
						Gold		1,528.55
						Silver		12.70
						CRB Index		138.31

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.44%	0.40%	0.60%	0.58%
90 day bank bills	0.68%	0.64%	0.57%	0.53%
FRA 90d in 3mths	0.70%	0.67%	0.45%	0.40%
FRA 180d in 6mths	0.70%	0.67%	0.60%	0.56%
1 year swap*	0.71%	0.67%	0.49%	0.48%
2 year swap*	0.72%	0.69%	0.56%	0.55%
3 year swap*	0.76%	0.73%	0.64%	0.63%
5 year swap*	0.88%	0.85%	0.94%	0.92%
10 year swap*	1.21%	1.18%	1.25%	1.23%
10 year Govt bond		1.21%		1.03%

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

SOURCE: Bloomberg

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