



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Thursday 19 March 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.5763	-0.0014
NZD/AUD	0.9950	-0.0019
NZD/JPY	62.13	-0.61
NZD/EUR	0.5294	-0.0052
NZD/GBP	0.4941	-0.0023
NZD/CNH	4.0820	0.0058
AUD/USD	0.5791	-0.0003
AUD/EUR	0.5320	-0.0042
EUR/USD	1.0885	0.0081
USD/CNH	7.0838	0.0274
GBP/USD	1.1662	0.0026
EUR/GBP	0.9334	0.0049

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.50%
90 day bills	0.68%	0.59%
2 year swap	0.73%	0.55%
10 year Govt	1.46%	1.21%

Just sell everything

As I look at the screens this morning, it is a sea of red ... for everything! Equities, bonds, gold, and oil are all down as safe haven flows are limited to cash and the US dollar. US equities are at three-year lows with the S&P 500 currently down 9.8% and the DJI below the 20,000 level having dropped 10% overnight.

Like many currencies, the NZD and AUD were caught in the flight to dollar safety. The USD is quite possibly the only thing up 1.5% overnight as the NZD reverted to levels last seen in the

GFC while the AUD hit levels last seen in 2002 ... quite possibly before some of today's readers were born! And it's time for a parity party as the NZD/AUD traded at 1.000 overnight, although it has retraced to 0.9950 this morning.

This move has been replicated in what were the original safe haven currencies, the CHF, JPY and, to a lesser extent, the Euro.

In addition, the 'perfect storm' that is the Mexican stand-off over the price of oil has seen the WTI fall 22% overnight to \$20.90 with Brent at \$25.50. Gold, which one would expect to be highly desired in this environment, is also falling and is down 2.5% to be just below the \$1,500 level. One would expect this to be a 'take profit' trade as investors look to realise profits to post against margin calls.

Europe has surpassed China in its number of confirmed coronavirus cases and deaths from the disease. The spread of the virus in Europe and the US has caught many by surprise and has enacted social distancing rules and travel blockages.

The German chancellor, Angela Merkel, urged people to abide by these restrictions, calling the pandemic the greatest challenge since World War II. UK Prime Minister, Boris Johnson, announced that schools in England will shut.

Bank of Canada Governor, Stephen Poloz, stated he won't rule out another emergency rate cut, or any other measures aimed at sheltering the economy from the impact of the virus.

Batter up

The RBA policy decision will be announced today at 4:30pm NZT and expectations are for a 25bps cut and unconventional measures, quantitative easing, to support the battered economy.

The RBA injected AUD10.7 billion into money markets yesterday but it is doing little to ease funding stresses; that's the largest injection since the bank adjusted the way it carries out daily market operations in 2013.

The liquidity has come as the spread between the 3 month bank bill rates and overnight index swaps lifted to above 40 bps for the first time this year.

A wider gap signals banks may find it harder to tap funding markets, while the country's mortgage backed security market has effectively shut down, which may limit the RBA policy decision later today.

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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	67.12					CAD	0.8364	0.8406
NZD/USD	0.5763	-0.0002	-0.0007	-0.0014	-0.0028	CHF	0.5583	0.5611
NZD/AUD	0.9950	-0.0004	-0.0012	-0.0019	-0.0031	CNY	4.0608	4.0814
NZD/JPY	62.13	-0.21	-0.39	-0.61	-1.09	DKK	3.9572	3.9773
NZD/EUR	0.5294	-0.0013	-0.0034	-0.0052	-0.0095	FJD	1.3287	1.3355
NZD/GBP	0.4941	-0.0008	-0.0016	-0.0023	-0.0038	HKD	4.4758	4.4985
						KRW	729.99	733.69
AU TWI	53.00					MYR	2.5602	2.5732
AUD/USD	0.5791	0.0000	0.0000	-0.0003	-0.0010	NOK	6.5292	6.5623
AUD/NZD	1.0051	0.0004	0.0013	0.0019	0.0032	SEK	5.8985	5.9284
AUD/JPY	62.45	-0.18	-0.31	-0.49	-0.90	SGD	0.8323	0.8365
AUD/EUR	0.5320	-0.0011	-0.0028	-0.0042	-0.0079	TWD	17.44	17.53
AUD/GBP	0.4966	-0.0006	-0.0010	-0.0014	-0.0022	ZAR	9.8879	9.9381
USD Index	101.08							
EUR/USD	1.0885	0.0024	0.0057	0.0081	0.0145	EQUITIES		
USD/JPY	107.84	-0.32	-0.53	-0.79	-1.37			Index
GBP/USD	1.1662	0.0016	0.0024	0.0026	0.0032	NZX50		9,455
EUR/GBP	0.9334	0.0007	0.0029	0.0049	0.0098	ASX200		4,953
						Dow Jones		19,332
						S&P 500		2,319
						FTSE100		5,081
						DAX 30		8,442
						Nikkei		16,727
						COMMODITIES		
								USD
						Dubai Light		28.48
						Brent Crude		25.49
						Gold		1,499.90
						Silver		12.03
						CRB Index		127.75

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.47%	0.43%	0.63%	0.61%
90 day bank bills	0.70%	0.66%	0.61%	0.57%
FRA 90d in 3mths	0.71%	0.68%	0.46%	0.41%
FRA 180d in 6mths	0.72%	0.69%	0.59%	0.55%
1 year swap*	0.73%	0.69%	0.50%	0.49%
2 year swap*	0.75%	0.72%	0.55%	0.54%
3 year swap*	0.80%	0.77%	0.63%	0.61%
5 year swap*	0.94%	0.91%	1.03%	1.02%
10 year swap*	1.31%	1.28%	1.51%	1.50%
10 year Govt bond		1.43%		1.21%

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

SOURCE: Bloomberg

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