



MARKET ALERT

Friday 20 March 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.5737	-0.0019
NZD/AUD	0.9929	-0.0036
NZD/JPY	63.48	-0.80
NZD/EUR	0.5377	-0.0061
NZD/GBP	0.4973	-0.0034
NZD/CNH	4.1052	0.0003
AUD/USD	0.5779	0.0002
AUD/EUR	0.5415	-0.0042
EUR/USD	1.0671	0.0087
USD/CNH	7.1566	0.0241
GBP/USD	1.1540	0.0041
EUR/GBP	0.9247	0.0043

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.69%	0.61%
2 year swap	0.74%	0.48%
10 year Govt	1.77%	1.49%

4 cent range in 24 hours

The USD soared as funds and investors liquidated assets to build a stockpile of the world’s reserve currency, lifting the US Dollar Index to a record high as investors sold all other assets in anticipation of a prolonged coronavirus pandemic.

Policy makers from Japan to Australia acted to stem a rout in markets. The currencies of Australia, New Zealand and South Korea, the most liquid in Asia, all tumbled dramatically, following wild moves in Europe when the GBP sank to its weakest in 35 years. Bonds and stocks

across the Asian region were dumped but with the US open, markets calmed.

In what has been a roller coaster of a session, we have seen the US Dollar Index rally higher, the NZD and AUD spike from their multi-year lows, US treasury yields fall after their stellar 48 hour rally, crude surge a full 20%, and gold, yet again, sell off. Interestingly, the yield on the one-month US treasury bill maturing in April slipped to minus 0.003% as USD junkies sought a safe haven for short term USD deposits. For the record, NZD/USD is at 0.5730, having travelled a staggering 0.5470 to 0.5915 range in the past 24 hours. Yes, you read that right.

Finally, the ECB comes to the party

The ECB announced a new coronavirus pandemic response, with a EUR750 billion purchase program. ECB President, Christine Lagarde, stated “extraordinary times require extraordinary action. There are no limits to our commitment to the euro” and “we are determined to use the full potential of our tools within our mandate.”

The ECB announced a EUR750 billion pandemic emergency purchase programme (PEPP) for the purchase of private and public sector securities to counter risks to the monetary policy transmission mechanism. In addition, to the extent that some self-imposed limits might hamper the action that the ECB is required to take in order to fulfil its mandate, the governing council will consider revising

them. The governing council is fully prepared to increase the size of its purchasing programme and to expand the range of eligible assets to non-financial commercial paper, making all commercial papers of sufficient credit quality eligible for purchase.

The RBA, in addition to the 25 basis point cut yesterday, announced their own bond buying programme, as well as an additional AUD90 billion credit line to their banking sector. In addition, the Queensland State Government has put in place severe shipping restrictions, restricting international shipping.

The BoE cut interest rates to a record low of 0.10% and added GBP200 billion to its asset purchase program overnight. The QE target is now GBP650 billion and will be made up of extra bond purchases and will include corporate buying.

Japan is joining the party, with press reports noting that the government is planning a JPY30 trillion stimulus package. Wild currency and equity market moves saw the South Korean central bank intervene in the currency markets.

Finally, with the, ‘no wonder you’re paid the big bucks’ quote of the day, Fed member Kashkari stated, “Coronavirus pandemic could be devastating, like the great recession or worse,” while President Trump and Larry Kudlow have both implied the US government may buy US equities.

What a week!

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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	67.34					CAD 0.8326	0.8386
NZD/USD	0.5737	-0.0005	-0.0012	-0.0019	-0.0032	CHF 0.5661	0.5701
NZD/AUD	0.9929	-0.0009	-0.0022	-0.0036	-0.0055	CNY 4.0768	4.1061
NZD/JPY	63.48	-0.31	-0.55	-0.80	-1.30	DKK 4.0176	4.0465
NZD/EUR	0.5377	-0.0017	-0.0038	-0.0061	-0.0103	FJD 1.3460	1.3557
NZD/GBP	0.4973	-0.0012	-0.0024	-0.0034	-0.0049	HKD 4.4543	4.4864
						KRW 721.78	726.98
AU TWI	49.90					MYR 2.4902	2.5081
AUD/USD	0.5779	0.0000	0.0001	0.0002	0.0000	NOK 6.4342	6.4805
AUD/NZD	1.0072	0.0009	0.0022	0.0036	0.0056	SEK 5.9605	6.0034
AUD/JPY	63.93	-0.26	-0.41	-0.58	-0.96	SGD 0.8327	0.8387
AUD/EUR	0.5415	-0.0012	-0.0026	-0.0042	-0.0074	TWD 17.46	17.59
AUD/GBP	0.5007	-0.0008	-0.0014	-0.0016	-0.0021	ZAR 10.0265	10.0987
USD Index	102.64						
EUR/USD	1.0671	0.0024	0.0054	0.0087	0.0147	EQUITIES	
USD/JPY	110.63	-0.45	-0.73	-1.04	-1.66		Index
GBP/USD	1.1540	0.0018	0.0034	0.0041	0.0049	NZX50	9,115
EUR/GBP	0.9247	0.0006	0.0020	0.0043	0.0088	ASX200	4,783
						Dow Jones	20,205
						S&P 500	2,465
						FTSE100	5,152
						DAX 30	8,610
						Nikkei	16,553
						COMMODITIES	
							USD
						Dubai Light	26.65
						Brent Crude	28.65
						Gold	1,472.51
						Silver	12.14
						CRB Index	135.49

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.49%	0.45%	0.61%	0.59%
90 day bank bills	0.71%	0.67%	0.63%	0.59%
FRA 90d in 3mths	0.69%	0.66%	0.44%	0.39%
FRA 180d in 6mths	0.77%	0.74%	0.51%	0.47%
1 year swap*	0.71%	0.68%	0.47%	0.46%
2 year swap*	0.74%	0.71%	0.49%	0.47%
3 year swap*	0.81%	0.78%	0.52%	0.51%
5 year swap*	0.98%	0.95%	0.88%	0.86%
10 year swap*	1.57%	1.54%	1.44%	1.42%
10 year Govt bond		1.74%		1.49%

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

SOURCE: Bloomberg

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