



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 24 March 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.5689	-0.0014
NZD/AUD	0.9829	-0.0023
NZD/JPY	63.28	-0.69
NZD/EUR	0.5294	-0.0051
NZD/GBP	0.4931	-0.0024
NZD/CNH	4.0511	0.0009
AUD/USD	0.5788	0.0000
AUD/EUR	0.5386	-0.0039
EUR/USD	1.0747	0.0079
USD/CNH	7.1227	0.0189
GBP/USD	1.1539	0.0028
EUR/GBP	0.9313	0.0045

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.58%	0.46%
2 year swap	0.55%	0.44%
10 year Govt	0.96%	0.91%

It's life, Jim, but not as we know it

So, New Zealand and Australia are about to enter countrywide lockdowns as we attempt to front run the phenomena that is coronavirus. We all know the details, so we won't repeat them here again, but we will try to provide an international flavour as to what has happened.

USD weakening has led to the NZD and AUD to hold their own overnight, trading around 0.5700 and 0.5800 respectively; parity between the NZD/AUD doesn't look likely.

Local swap rates got whacked, down as much as 37bps yesterday after the RBNZ announced their QE plans. The local 10 year swap rates bottomed out to 0.98% on 9 March, before spiking to 1.48% just 10 days later; yesterday's announcement brings the rate back down to around 1.00%. NZ equities had a wild ride yesterday as they posted losses as large as 11.0% before being bid into the close, down just under 8.0% for the day. US equities saw red as it seems the senate cannot reach an agreement on the latest stimulus deal; West Texas crude oil fell a further 15.0% while gold rallied just under 4.0% as the risk off movement doesn't look like slowing down.

In these trying times, we should at least be thankful that domestically both/all sides of the political spectrum are attempting to work together ... unlike the US! Not long ago, the Democrats blocked the Republican-led coronavirus Bill in the Senate. While negotiations continue between Senate Minority Leader, Chuck Schumer, and the Trump administration, the Democrats are attempting to outmanoeuvre the Republicans with their own Bill that, *"takes responsibility for the health, wages and well-being of America's workers."*

Fed to the rescue

Meanwhile, without the clear political leadership, the Fed has brought a *"bazooka"* to the party! For the first time

ever, the Fed will purchase corporate bonds and make direct loans to companies. It is also working on a plan to get credit to small and medium-sized business. Finally, it explicitly stated it will expand its balance sheet and expand its asset purchases by as much as needed to stabilize financial markets.

Unfortunately, it looks like the pain is far from over. Morgan Stanley announced that US GDP could shrink a record 30% in the second quarter ... yes 30%! While James Bullard, the President of the Federal Reserve Bank of St. Louis, said the jobless rate may hit 30% too.

Germany will ramp up sales of government debt this year to help fund measures to offset the impact of the coronavirus, evoking moves last made a decade ago to counter against the financial crisis.

European benchmark sovereign issuers will sell at least EUR120 billion more debt that planned before the virus hit. The new total sales for the year will reach around EUR330 billion euros. Meanwhile, German officials are ready to help Italy get through the rough and are prepared to support an emergency loan from the Euro area's bailout fund.

Its business as usual here at Bancorp, please reach out if you have any queries or concerns. We may all be working from home (as the rest of the world is), but we are open as usual.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

Tuesday 24 March 2020 | www.bancorptreasury.com

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	66.80					CAD	0.8265 0.8409
NZD/USD	0.5689	-0.0004	-0.0007	-0.0014	-0.0026	CHF	0.5590 0.5687
NZD/AUD	0.9829	-0.0008	-0.0014	-0.0023	-0.0038	CNY	4.0334 4.1037
NZD/JPY	63.28	-0.24	-0.45	-0.69	-1.16	DKK	3.9530 4.0220
NZD/EUR	0.5294	-0.0013	-0.0030	-0.0051	-0.0089	FJD	1.3394 1.3628
NZD/GBP	0.4931	-0.0008	-0.0015	-0.0024	-0.0038	HKD	4.4118 4.4887
						KRW	717.84 730.37
AU TWI	51.80					MYR	2.5065 2.5502
AUD/USD	0.5788	0.0001	0.0001	0.0000	-0.0004	NOK	6.5760 6.6907
AUD/NZD	1.0174	0.0009	0.0015	0.0024	0.0039	SEK	5.8374 5.9392
AUD/JPY	64.39	-0.19	-0.36	-0.55	-0.93	SGD	0.8307 0.8452
AUD/EUR	0.5386	-0.0008	-0.0023	-0.0039	-0.0070	TWD	17.26 17.56
AUD/GBP	0.5016	-0.0004	-0.0008	-0.0012	-0.0020	ZAR	10.1066 10.2829
USD Index	102.41						
EUR/USD	1.0747	0.0018	0.0047	0.0079	0.0134	EQUITIES	
USD/JPY	111.26	-0.34	-0.64	-0.94	-1.53		Index
GBP/USD	1.1539	0.0010	0.0021	0.0028	0.0037	NZX50	8,499
EUR/GBP	0.9313	0.0008	0.0024	0.0045	0.0086	ASX200	4,546
						Dow Jones	18,358
						S&P 500	2,221
						FTSE100	4,994
						DAX 30	8,741
						Nikkei	16,888
						COMMODITIES	
							USD
						Dubai Light	26.13
						Brent Crude	27.07
						Gold	1,551.80
						Silver	13.16
						CRB Index	132.39

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.42%	0.38%	0.47%	0.45%
90 day bank bills	0.60%	0.56%	0.48%	0.44%
FRA 90d in 3mths	0.56%	0.53%	0.41%	0.36%
FRA 180d in 6mths	0.55%	0.52%	0.47%	0.43%
1 year swap*	0.56%	0.54%	0.42%	0.41%
2 year swap*	0.56%	0.54%	0.44%	0.43%
3 year swap*	0.58%	0.56%	0.49%	0.48%
5 year swap*	0.68%	0.65%	0.67%	0.66%
10 year swap*	1.02%	0.99%	1.08%	1.07%
10 year Govt bond		0.92%		0.91%

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

SOURCE: Bloomberg

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.