



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Wednesday 25 March 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.5780	-0.0011
NZD/AUD	0.9789	-0.0021
NZD/JPY	64.43	-0.70
NZD/EUR	0.5375	-0.0048
NZD/GBP	0.4921	-0.0022
NZD/CNH	4.0979	0.0044
AUD/USD	0.5906	0.0002
AUD/EUR	0.5491	-0.0037
EUR/USD	1.0754	0.0076
USD/CNH	7.1227	0.0214
GBP/USD	1.1746	0.0030
EUR/GBP	0.9155	0.0041

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.53%	0.44%
2 year swap	0.60%	0.43%
10 year Govt	1.01%	0.90%

## If in doubt, throw money at the problem!

As the list of countries entering lockdowns increases, the number of stimulus packages grows by the hour. It is clear that while many countries over the years have reduced spending in health infrastructure and contingency plans, governments are quickly ramping up their spending efforts to fight the coronavirus outbreak.

New Zealand has been quick to inject additional stimulus, as highlighted by Finance Minister Grant Robertson's moves yesterday, where he announced a NZD6.2 billion finance guarantee

scheme for businesses. The government will carry 80% of the credit risk for scheme, while the remainder will be carried by banks. To support the banks with this, the RBNZ will reduce banks' core funding ratios from 75% to 50% to help make credit available. In addition, retail banks have agreed to provide a mortgage repayment holiday scheme for those affected by COVID-19.

This move, and similar fiscal moves across the globe, has seen equity markets bounce back strongly. Into yesterday's close, the NZX surged 7.2%, while Asian and European indices were broadly up 8-10%. US equities are currently up 9-10%.

While it has been great to observe the RBNZ and NZ government respond succinctly and in unison to this crisis, unfortunately party politics are continuing to play out in the US, as lawmakers and the administration close in on the coronavirus CARE package, which is said to be worth between USD1.6 and 2 trillion to the US economy (or 7-9% of GDP).

President Trump has also been vocal about getting the US economy back to work stating, *"America will be open for business quicker than the 3-4 months than previously stated"* adding, *"(we) won't let the virus turn into a long running financial problem"* and, *"(we) will not let the cure be worse than the problem."*

President Trump is hinting he'll lift the US 15 day lock-down, all this while US

cases jumped by nearly 11,000 overnight and deaths are continuing to rise. Taking this line to heart, Apple have announced they are planning to open their US stores in the first half of April.

Unfortunately, what we still don't know, at this stage, is how long it ultimately will take to contain the virus and what kind of damage it will do to both the population and to the economies of the world. Ultimately, with all this fiscal stimulus, there will be some big bills to pay down the road. Fortunately, last night's Treasury auction went well with USD40 billion of 2 year paper sold at a yield of 0.398%, down from last month's 1.189%.

Manufacturing and services PMI data out of the Eurozone, Japan, UK, Australia, and the US all plummeted, which was largely expected, as the coronavirus disrupts supply chains and ripples tidal waves of uncertainty through global economy.

As mentioned, equities have surged globally with the Dow having its biggest up day since 2008 on hopes of stimulus. Within this environment the NZD and AUD have consolidated further to be sitting around the 0.5775 and 0.5900 levels, commodities have firmed, as have US treasuries with the 10-year yield up to 0.83%, while oil is flat on the day.

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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	67.37					CAD	0.8379 0.8560
NZD/USD	0.5780	-0.0002	-0.0006	-0.0011	-0.0022	CHF	0.5684 0.5807
NZD/AUD	0.9789	-0.0005	-0.0012	-0.0021	-0.0036	CNY	4.0821 4.1703
NZD/JPY	64.43	-0.21	-0.45	-0.70	-1.19	DKK	4.0126 4.0992
NZD/EUR	0.5375	-0.0010	-0.0027	-0.0048	-0.0086	FJD	1.3600 1.3894
NZD/GBP	0.4921	-0.0006	-0.0014	-0.0022	-0.0036	HKD	4.4819 4.5787
						KRW	715.31 730.77
AU TWI	53.00					MYR	2.5800 2.6357
AUD/USD	0.5906	0.0001	0.0002	0.0002	-0.0001	NOK	6.4805 6.6205
AUD/NZD	1.0216	0.0005	0.0013	0.0022	0.0037	SEK	5.9031 6.0306
AUD/JPY	65.83	-0.19	-0.38	-0.57	-0.98	SGD	0.8367 0.8547
AUD/EUR	0.5491	-0.0008	-0.0021	-0.0037	-0.0068	TWD	17.51 17.89
AUD/GBP	0.5028	-0.0003	-0.0008	-0.0012	-0.0019	ZAR	10.1262 10.3449
USD Index	102.10						
EUR/USD	1.0754	0.0018	0.0044	0.0076	0.0133	<b>EQUITIES</b>	
USD/JPY	111.48	-0.34	-0.67	-1.00	-1.63	<b>Index</b>	
GBP/USD	1.1746	0.0011	0.0021	0.0030	0.0041	NZX50	9,109
EUR/GBP	0.9155	0.0007	0.0021	0.0041	0.0081	ASX200	4,736
						Dow Jones	20,243
						S&P 500	2,394
						FTSE100	5,446
						DAX 30	9,701
						Nikkei	18,092
						<b>COMMODITIES</b>	
						<b>USD</b>	
						Dubai Light	27.90
						Brent Crude	27.01
						Gold	1,619.30
						Silver	14.14
						CRB Index	136.05

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.40%	0.36%	0.48%	0.46%
90 day bank bills	0.55%	0.51%	0.46%	0.42%
FRA 90d in 3mths	0.59%	0.51%	0.41%	0.36%
FRA 180d in 6mths	0.57%	0.54%	0.48%	0.44%
1 year swap*	0.57%	0.53%	0.42%	0.41%
2 year swap*	0.61%	0.58%	0.44%	0.43%
3 year swap*	0.63%	0.60%	0.48%	0.47%
5 year swap*	0.71%	0.68%	0.72%	0.70%
10 year swap*	1.04%	1.01%	1.15%	1.14%
10 year Govt bond		0.95%		0.90%

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

SOURCE: Bloomberg

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