



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Thursday 26 March 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.5832	-0.0009
NZD/AUD	0.9787	-0.0019
NZD/JPY	64.89	-0.66
NZD/EUR	0.5366	-0.0044
NZD/GBP	0.4915	-0.0019
NZD/CNH	4.1533	0.0056
AUD/USD	0.5959	0.0003
AUD/EUR	0.5483	-0.0035
EUR/USD	1.0868	0.0074
USD/CNH	7.1227	0.0204
GBP/USD	1.1865	0.0028
EUR/GBP	0.9160	0.0041

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.51%	0.45%
2 year swap	0.60%	0.42%
10 year Govt	1.11%	0.98%

## It's the final countdown

As New Zealand hit its first 'level 4' and went into lockdown, international markets found a bid after news that US lawmakers and the Trump administration reached an agreement on an estimated USD2 trillion stimulus package aimed at shielding the US economy from the worst consequences of the coronavirus pandemic.

The package includes a USD500bn fund to help hard hit industries, such as the aviation sector, USD350bn for small business loans, USD250bn for expanded unemployment aid, at least USD100bn for hospitals and related

health systems, and, the Bill will provide direct financial (helicopter) payments to many/all Americans.

While this is all great news, it should be taken with caution as the legislation is still being drafted, and while there is no doubt that everyone wants it ... it's not done until the President signs on the dotted line!

## Data shows the slowdown

German business confidence (IFO Index) collapsed the most it ever has in three decades after restrictions to slow the spread of the coronavirus forced mass closure of companies and stores across Europe's largest economy. The IFO has predicted total output could fall anywhere between 1.5% and 6% this year, depending on how long current disruptions last.

Markets are optimistic with bottoms and consolidations patterns forming. Asian and European equities were broadly up 6% to 8%, while European indices also made good 4% to 6% gains, and even the DAX was up 1.8% after their IFO print.

US equities have, unsurprisingly, taken the news in the best possible fashion, and are up 3% to 5%. Likewise, currencies have stabilised with the DXY off a touch providing support to the NZD/USD, which is currently trading at 0.5830, although it did hit a high overnight at 0.5913.

The AUD/USD is at 0.5960, the VIX is around the 62.5% level, and 10 year US treasuries, yield wise, are off 3 points to 0.81%.

## Oil price war

Not satisfied with attempting to underpin the global financial system, the US have also decided to get involved in the oil price war, urging Saudi Arabia to 'rise to the occasion' and end its oil price war with Russia.

With G20 leaders planning to convene in a video conference on Thursday to discuss the impact of the coronavirus, Washington sees the video gathering, led by Saudi Arabia, as a way to launch a debate about the need to end a price war that has been disruptive to US producers and hurting the American banks backing them, allegedly! Oil is broadly flat with WTI at USD24.50 and Brent at USD27.50.

Meanwhile, in China, talk on the street according to the Financial Times, is that the PBOC is in talks to cut bank deposit rate to savers. This would mark the first cut on the deposit rate since 2015.



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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	67.78					CAD	0.8284 0.8464
NZD/USD	0.5832	0.0000	-0.0003	-0.0009	-0.0021	CHF	0.5704 0.5828
NZD/AUD	0.9787	-0.0004	-0.0010	-0.0019	-0.0036	CNY	4.1479 4.2381
NZD/JPY	64.89	-0.16	-0.40	-0.66	-1.17	DKK	4.0084 4.0956
NZD/EUR	0.5366	-0.0008	-0.0025	-0.0044	-0.0083	FJD	1.3569 1.3864
NZD/GBP	0.4915	-0.0004	-0.0011	-0.0019	-0.0033	HKD	4.5216 4.6200
						KRW	714.33 729.88
AU TWI	53.70					MYR	2.5930 2.6494
AUD/USD	0.5959	0.0002	0.0003	0.0003	0.0001	NOK	6.2564 6.3926
AUD/NZD	1.0218	0.0004	0.0011	0.0020	0.0037	SEK	5.8919 6.0201
AUD/JPY	66.32	-0.13	-0.33	-0.55	-0.95	SGD	0.8444 0.8627
AUD/EUR	0.5483	-0.0006	-0.0019	-0.0035	-0.0065	TWD	17.68 18.06
AUD/GBP	0.5023	-0.0002	-0.0005	-0.0009	-0.0015	ZAR	10.0934 10.3130
USD Index	101.04						
EUR/USD	1.0868	0.0015	0.0044	0.0074	0.0131	<b>EQUITIES</b>	
USD/JPY	111.29	-0.26	-0.62	-0.97	-1.61		<b>Index</b>
GBP/USD	1.1865	0.0009	0.0019	0.0028	0.0037	NZX50	9,264
EUR/GBP	0.9160	0.0006	0.0023	0.0041	0.0081	ASX200	4,998
						Dow Jones	21,919
						S&P 500	2,530
						FTSE100	5,688
						DAX 30	9,874
						Nikkei	19,547
						<b>COMMODITIES</b>	
							<b>USD</b>
						Dubai Light	26.71
						Brent Crude	27.49
						Gold	1,610.70
						Silver	14.39
						CRB Index	137.58

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.39%	0.35%	0.47%	0.45%
90 day bank bills	0.53%	0.49%	0.47%	0.43%
FRA 90d in 3mths	0.57%	0.52%	0.41%	0.36%
FRA 180d in 6mths	0.56%	0.53%	0.49%	0.45%
1 year swap*	0.57%	0.54%	0.43%	0.42%
2 year swap*	0.61%	0.58%	0.43%	0.41%
3 year swap*	0.64%	0.61%	0.47%	0.45%
5 year swap*	0.74%	0.71%	0.69%	0.68%
10 year swap*	1.07%	1.05%	1.09%	1.08%
10 year Govt bond		1.06%		0.98%

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

SOURCE: Bloomberg

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