



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 27 March 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.5980	-0.0007
NZD/AUD	0.9849	-0.0014
NZD/JPY	65.32	-0.60
NZD/EUR	0.5415	-0.0042
NZD/GBP	0.4923	-0.0016
NZD/CNH	4.2336	0.0062
AUD/USD	0.6072	0.0002
AUD/EUR	0.5499	-0.0034
EUR/USD	1.1042	0.0072
USD/CNH	7.1227	0.0188
GBP/USD	1.2147	0.0026
EUR/GBP	0.9090	0.0040

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.49%	0.43%
2 year swap	0.55%	0.39%
10 year Govt	1.09%	0.93%

Everything is under control ... yeah, right!

What a day it has been for the United States of America ...

In an unprecedented move, Federal Reserve Chairman, Jerome Powell, gave a pre-market interview on a non-business TV channel, the *Today Show*, in an attempt to reassure the American public, and, to be fair, he was quite explicit. On supporting the US economy, he stated, *“we will keep doing that aggressively and forthrightly, as we have been”* adding, *“when it comes to lending, we’re not going to run out of ammunition. That doesn’t happen.”*

As the Fed is poised to spray trillions of dollars into the US economy, and with the US government finalising its USD2 trillion fiscal stimulus package, it highlights the extraordinary challenge facing the US and the global economy.

And boy, did the US public need reassurance after the initial jobless claims number, which printed at an incredible 3,283k ... yes, over 3 million American’s have signed on for benefit in the last week! To give you an idea of the increase, the prior week it had printed at 282k. The previous high was 671k way back in 1982, and the high during the GFC was ‘only’ 665k! While these are extremely volatile times, and economic indicators are merely guess work in this environment, economists are predicting the US unemployment rate will extend into double figures, and could even hit 30% at the extremes.

It seems the market didn’t look twice at the payrolls data though, despite it increasing ten-fold in a week, as participants focussed solely on the fiscal aid package, which is set to be passed into law tonight. This gave US equities a push higher as the market speculates that the aid package will counter the negative effects of the pandemic on the domestic and global economies. The S&P500 and the Dow have rebounded 18% and 23% off their lows seen on the 23rd March, Treasury yields fell, with the 10-year yield at 0.80%, and gold rallied again. The NZD and AUD have followed the latest equity rally as they

have climbed 9.3% and 10.2% against the USD respectively.

The NZD/USD broke above the 0.5830 level which now brings 0.6000 into focus while the NZD/AUD hovers between the 0.9700 and 0.9900, currently trading at 0.9850 at the time of writing.

G20 united in rhetoric

Leaders of the G20 held a conference call overnight and said they were prepared to inject USD5 trillion into the global economy to help combat COVID-19, and that they were prepared to do *“whatever it takes.”* In a joint statement they also added, *“we are strongly committed to presenting a united front against this common threat.”*

So, once again, a lot of rhetoric but little in the way of substance. Interestingly, there was no mention of the oil price.

Finally, in a ‘hello sailor’ moment, 20 US sailors have tested positive for coronavirus aboard the USS Theodore Roosevelt.

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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	68.78					CAD	0.8392 0.8521
NZD/USD	0.5980	0.0000	-0.0002	-0.0007	-0.0020	CHF	0.5755 0.5843
NZD/AUD	0.9849	-0.0003	-0.0007	-0.0014	-0.0031	CNY	4.2286 4.2934
NZD/JPY	65.32	-0.13	-0.34	-0.60	-1.11	DKK	4.0417 4.1036
NZD/EUR	0.5415	-0.0007	-0.0023	-0.0042	-0.0080	FJD	1.3884 1.4097
NZD/GBP	0.4923	-0.0003	-0.0009	-0.0016	-0.0029	HKD	4.6351 4.7062
						KRW	727.35 738.50
AU TWI	53.00					MYR	2.5339 2.5727
AUD/USD	0.6072	0.0002	0.0002	0.0002	-0.0001	NOK	6.2294 6.3249
AUD/NZD	1.0153	0.0003	0.0007	0.0015	0.0032	SEK	5.9300 6.0209
AUD/JPY	66.33	-0.11	-0.30	-0.51	-0.92	SGD	0.8555 0.8686
AUD/EUR	0.5499	-0.0006	-0.0019	-0.0034	-0.0065	TWD	18.11 18.38
AUD/GBP	0.4999	-0.0002	-0.0006	-0.0009	-0.0014	ZAR	10.3441 10.5026
USD Index	99.45						
EUR/USD	1.1042	0.0015	0.0042	0.0072	0.0130	EQUITIES	
USD/JPY	109.24	-0.21	-0.52	-0.87	-1.50		Index
GBP/USD	1.2147	0.0008	0.0018	0.0026	0.0032	NZX50	9,632
EUR/GBP	0.9090	0.0006	0.0021	0.0040	0.0083	ASX200	5,113
						Dow Jones	22,255
						S&P 500	2,591
						FTSE100	5,816
						DAX 30	10,001
						Nikkei	18,665
						COMMODITIES	
							USD
						Dubai Light	26.32
						Brent Crude	26.42
						Gold	1,628.01
						Silver	14.43
						CRB Index	134.13

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.39%	0.35%	0.45%	0.43%
90 day bank bills	0.51%	0.47%	0.45%	0.41%
FRA 90d in 3mths	0.56%	0.48%	0.36%	0.31%
FRA 180d in 6mths	0.55%	0.52%	0.44%	0.40%
1 year swap*	0.55%	0.51%	0.39%	0.37%
2 year swap*	0.57%	0.54%	0.40%	0.38%
3 year swap*	0.60%	0.57%	0.42%	0.41%
5 year swap*	0.70%	0.67%	0.66%	0.64%
10 year swap*	1.04%	1.01%	1.07%	1.05%
10 year Govt bond		1.04%		0.93%

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

SOURCE: Bloomberg

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