



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Tuesday 3 March 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6257	0.0006
NZD/AUD	0.9577	-0.0017
NZD/JPY	67.52	-0.47
NZD/EUR	0.5603	-0.0045
NZD/GBP	0.4896	-0.0011
NZD/CNH	4.3558	0.0283
AUD/USD	0.6534	0.0018
AUD/EUR	0.5851	-0.0037
EUR/USD	1.1167	0.0102
USD/CNH	6.9620	0.0382
GBP/USD	1.2781	0.0042
EUR/GBP	0.8737	0.0051

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	0.87%	0.59%
2 year swap	0.72%	0.45%
10 year Govt	1.00%	0.80%

## Dead cat bounce?

Equity markets climbed in volatile trading as the markets try to recover from last week's massive sell off, betting, once again, that central banks will ride to their rescue. US equity markets are up 1-2%, reflecting small rebounds across Asian and European indices, while US Treasury yields continue to hit new lows with the 2 year yield at 0.82% and the 10 year at 1.08%.

While investors are hoping that central banks can stabilize markets and shield economic growth from the impact of the coronavirus, speculators will

be questioning the relevance in their rhetoric and whether there is substance in their statements. Is this the start of the recovery, or, merely a small consolidation before we revert to a new sell-off phase?

Following on from Fed Chair, Jerome Powell's, comments on Friday, overnight, both the BoJ and BoE pledged to monitor markets closely and safeguard financial stability.

Later, the International Monetary Fund and the World Bank issued a joint statement saying that they are ready to extend 'emergency financing' stating they, "*stand ready to help our member countries address the human tragedy and economic challenge*" posed by the virus. It was also announced that G7 finance ministers are expected to hold a conference call on Tuesday to discuss an economic response to the virus outbreak.

In what appears to be a massively co-ordinated response from monetary authorities, central banks, and finance ministers, market participants are hoping that a degree of control can be exercised over the outbreak and monetary stimulus can limit the impact of a global slowdown. The first central bank 'to the batting plate' is the RBA with their rate announcement today at 4:30pm (NZ time).

The market is currently pricing in a full 100% chance that the RBA will execute a 25-point cut to Australian interest rates.

## First glance at NZ trade with China

This experimental initiative, conducted by Stats NZ, shows New Zealand's daily export trade data with China for the four-week period, 27 January-23 February 2020, to give a first glance at the impacts since the coronavirus Covid-19 outbreak.

The cumulative total value of exports to China alone in the past four weeks were worth about NZD1.1 billion, about NZD93 million less than for the same period in 2019. If exports to China had followed recent growth patterns, projections suggest the cumulative total value of exports would have been about NZD1.4 billion.

Dairy exports to China are largely unchanged as the higher prices have compensated for lower quantities. Meat exports have fallen 40% since the same period last year, forestry exports are down 28% from the same time last year while seafood exports are down 57% from last year.

This has a significant effect on the domestic economy as China is New Zealand's largest trading partner. Once again, the scale of the economic impact will depend largely on when China will go back to work and the growth rate of the number of new cases.

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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	69.90					<b>CAD</b>	0.8349 0.8718
NZD/USD	0.6257	0.0002	0.0004	0.0006	0.0007	<b>CHF</b>	0.5986 0.6250
NZD/AUD	0.9577	-0.0005	-0.0011	-0.0017	-0.0027	<b>CNY</b>	4.3551 4.5477
NZD/JPY	67.52	-0.10	-0.25	-0.47	-0.94	<b>DKK</b>	4.1872 4.3723
NZD/EUR	0.5603	-0.0010	-0.0024	-0.0045	-0.0088	<b>FJD</b>	1.3880 1.4494
NZD/GBP	0.4896	-0.0003	-0.0007	-0.0011	-0.0021	<b>HKD</b>	4.8672 5.0824
						<b>KRW</b>	744.32 777.24
AU TWI	56.80					<b>MYR</b>	2.6290 2.7453
AUD/USD	0.6534	0.0005	0.0012	0.0018	0.0026	<b>NOK</b>	5.8175 6.0748
AUD/NZD	1.0442	0.0005	0.0012	0.0019	0.0030	<b>SEK</b>	5.9528 6.2160
AUD/JPY	70.51	-0.07	-0.18	-0.36	-0.78	<b>SGD</b>	0.8691 0.9075
AUD/EUR	0.5851	-0.0007	-0.0019	-0.0037	-0.0076	<b>TWD</b>	18.83 19.66
AUD/GBP	0.5112	-0.0001	-0.0001	-0.0003	-0.0008	<b>ZAR</b>	9.6686 10.0962
USD Index	97.34						
EUR/USD	1.1167	0.0022	0.0055	0.0102	0.0192	<b>EQUITIES</b>	
USD/JPY	107.92	-0.19	-0.47	-0.86	-1.62		<b>Index</b>
GBP/USD	1.2781	0.0011	0.0026	0.0042	0.0071	<b>NZX50</b>	11,103
EUR/GBP	0.8737	0.0009	0.0025	0.0051	0.0101	<b>ASX200</b>	6,392
						<b>Dow Jones</b>	26,170
						<b>S&amp;P 500</b>	3,020
						<b>FTSE100</b>	6,655
						<b>DAX 30</b>	11,858
						<b>Nikkei</b>	21,344
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	50.01
						<b>Brent Crude</b>	51.88
						<b>Gold</b>	1,594.75
						<b>Silver</b>	16.76
						<b>CRB Index</b>	173.54

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.04%	1.00%	0.63%	0.61%
90 day bank bills	0.89%	0.85%	0.61%	0.57%
FRA 90d in 3mths	0.69%	0.66%	0.45%	0.40%
FRA 180d in 6mths	0.70%	0.67%	0.50%	0.46%
1 year swap*	0.75%	0.72%	0.47%	0.46%
2 year swap*	0.73%	0.70%	0.46%	0.45%
3 year swap*	0.74%	0.71%	0.50%	0.49%
5 year swap*	0.81%	0.78%	0.65%	0.64%
10 year swap*	1.11%	1.09%	0.92%	0.91%
10 year Govt bond		0.98%		0.80%

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

SOURCE: Bloomberg

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