



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Monday 30 March 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6041	-0.0007
NZD/AUD	0.9806	-0.0013
NZD/JPY	65.17	-0.59
NZD/EUR	0.5414	-0.0043
NZD/GBP	0.4851	-0.0016
NZD/CNH	4.2760	0.0019
AUD/USD	0.6161	0.0001
AUD/EUR	0.5530	-0.0037
EUR/USD	1.1140	0.0076
USD/CNH	7.1227	0.0115
GBP/USD	1.2430	0.0026
EUR/GBP	0.8963	0.0042

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.49%	0.42%
2 year swap	0.55%	0.36%
10 year Govt	1.09%	0.93%

## The changing role of the Fed

Regardless of the US CARE COVID-19 support package, Fed officials are still reviewing new ways to support financing for state and local governments, as the rescue package asks the Fed to support areas it has long considered taboo — lending to businesses, cities and states.

Historically, the Fed has always avoided intervening directly in credit and fiscal policy, preferring to leave such matters to Congress and the White House. This has changed as Congress has essentially directed the Fed to get more involved by providing \$454 billion to the Treasury. Over the last two weeks the Fed has dramatically expanded its balance

sheet by nearly \$942 billion to \$5.25 trillion and has unveiled six lending facilities to free up cash for Wall Street, to backstop money-market funds, and for commercial debt. With an expanded mandate, we can expect the Fed's balance sheet to grow exponentially.

US Treasury Secretary, Steve Mnuchin, announced he expects to have a small business loan programme up and running by the end of this week and that he expects 'helicopter' payments within three weeks.

Proof that cash is still king, even as the CARE Bill was being signed into legislation, investment grade borrowers were making a dash-for-cash raising \$244 billion in March, the highest since the \$252 billion issued in September 2019. In this regard, the financial markets are weathering the COVID-19 pandemic better than the GFC crisis.

On Friday night the Bank of Canada cut their target overnight lending rate by 50 basis points to 0.25%. They also announced a commercial paper programme and a bond buying programme of government debt to support liquidity in the Canadian funding markets.

President Donald Trump backed away from imposing a quarantine for New York, New Jersey and Connecticut, after floating the idea of isolating those hard-hit areas. Trump tweeted "*a quarantine will not be necessary*" despite 25% of the

US total 2,000 deaths coming from New York. Targeted quarantines would shock the US economy, especially in New York as it's the US financial hub — the opposite of what Trump wants. The US coronavirus cases now tops 130,000; the most in the world.

On Friday evening we saw some profit taking following the week's rally as US equities were down 3.5% to 4%. The profit taking didn't filter through to the US dollar though as is endured another weak session which saw the NZD and AUD maintain their recent strength to close the week at 0.6037 and 0.6155 respectively. The 10 year NZ interest rate swap closed at 0.99% and the 10 year US treasury closed at 0.685%.

## In other, slightly worrying news

North Korea launched a projectile off its east coast Sunday morning, as Pyongyang continues its habit of weapons testing amid a lull in disarmament talks with the US.

Saudi Arabian air defences shot down at least two ballistic missiles fired at the country's capital and Jizan, a city along its southern border with Yemen, Saudi officials said.

Finally, due to the coronavirus outbreak, the world is facing a condom shortage and ... I guess gloves are just more important these days!

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# DAILY RATES

Monday 30 March 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	69.24					CAD	0.8460 0.8628
NZD/USD	0.6041	-0.0001	-0.0003	-0.0007	-0.0019	CHF	0.5740 0.5853
NZD/AUD	0.9806	-0.0003	-0.0007	-0.0013	-0.0029	CNY	4.2832 4.3682
NZD/JPY	65.17	-0.14	-0.36	-0.59	-1.08	DKK	4.0380 4.1181
NZD/EUR	0.5414	-0.0009	-0.0024	-0.0043	-0.0082	FJD	1.3852 1.4126
NZD/GBP	0.4851	-0.0005	-0.0011	-0.0016	-0.0028	HKD	4.6717 4.7643
						KRW	730.78 745.28
AU TWI	53.90					MYR	2.5830 2.6342
AUD/USD	0.6161	0.0001	0.0001	0.0001	-0.0001	NOK	6.3131 6.4383
AUD/NZD	1.0198	0.0003	0.0007	0.0014	0.0031	SEK	5.9780 6.0966
AUD/JPY	66.41	-0.13	-0.32	-0.52	-0.90	SGD	0.8619 0.8789
AUD/EUR	0.5530	-0.0008	-0.0021	-0.0037	-0.0067	TWD	18.24 18.60
AUD/GBP	0.4956	-0.0003	-0.0007	-0.0010	-0.0014	ZAR	10.6459 10.8571
USD Index	98.37						
EUR/USD	1.1140	0.0017	0.0044	0.0076	0.0136	<b>EQUITIES</b>	
USD/JPY	107.80	-0.22	-0.54	-0.86	-1.46		<b>Index</b>
GBP/USD	1.2430	0.0010	0.0020	0.0026	0.0033	NZX50	9,557
EUR/GBP	0.8963	0.0006	0.0021	0.0042	0.0085	ASX200	4,842
						Dow Jones	21,637
						S&P 500	2,541
						FTSE100	5,510
						DAX 30	9,633
						Nikkei	19,389
						<b>COMMODITIES</b>	
							<b>USD</b>
						Dubai Light	24.99
						Brent Crude	24.93
						Gold	1,625.27
						Silver	14.39
						CRB Index	131.51
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>			
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>		
30 day bank bills		0.38%	0.34%	0.43%	0.41%		
90 day bank bills		0.51%	0.47%	0.44%	0.40%		
FRA 90d in 3mths		0.56%	0.48%	0.36%	0.31%		
FRA 180d in 6mths		0.54%	0.51%	0.40%	0.36%		
1 year swap*		0.54%	0.50%	0.37%	0.36%		
2 year swap*		0.56%	0.53%	0.36%	0.35%		
3 year swap*		0.58%	0.56%	0.39%	0.39%		
5 year swap*		0.67%	0.64%	0.63%	0.61%		
10 year swap*		1.00%	0.98%	1.03%	1.02%		
10 year Govt bond			1.05%		0.93%		

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

SOURCE: Bloomberg

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