



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Tuesday 31 March 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6000	-0.0008
NZD/AUD	0.9748	-0.0016
NZD/JPY	64.82	-0.59
NZD/EUR	0.5441	-0.0043
NZD/GBP	0.4843	-0.0017
NZD/CNH	4.2680	0.0039
AUD/USD	0.6155	0.0001
AUD/EUR	0.5581	-0.0035
EUR/USD	1.1029	0.0072
USD/CNH	7.1227	0.0163
GBP/USD	1.2391	0.0027
EUR/GBP	0.8900	0.0039

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.51%	0.39%
2 year swap	0.51%	0.36%
10 year Govt	1.03%	0.78%

## More of the same, please sir!

The RBNZ had a busy day yesterday, both in providing liquidity and in attempting to restore confidence.

First up, in the morning, it announced it will deploy another tool to provide liquidity into the corporate sector through the new weekly Open Market Operation (“OMO”). This repo-like facility will provide liquidity in exchange for eligible corporate and asset-backed securities, providing funding for up to 90 days.

Then, in the afternoon, RBNZ Governor, Adrian Orr, was on the news wires stating the New Zealand financial system is

resilient, saying, *“in these difficult times we are working to ensure New Zealanders are confident in their financial system,”* adding, the bank is *“well positioned to meet the needs of New Zealanders.”*

## Australia primes the pump

Australia has unleashed further stimulus into the economy. This time it’s a record AUD130 billion jobs rescue plan, which pledges to subsidise workers’ wages as the coronavirus outbreak continues to damage the economy. The package will see the government pay wage subsidies of AUD1500 every two weeks per employee to help struggling businesses keep people in work. This brings the total stimulus (fiscal and monetary) to AUD320 billion, or 16% of Australia’s GDP.

Donald Trump abandoned his ambition for the economy and American life to return to normal by Easter after taking the advice from top doctors, who suggested reopening the economy prematurely increases the risks of a greater death toll. Trump has set guidelines for social distancing and said it would remain in place until 30 April, also warning 100,000 people may die from the outbreak.

Meanwhile, China’s President Xi announced the Chinese Government would adjust policies to support small and medium firms amid the outbreak, while the PBOC announced they would cut their reverse repo rate from 2.4% to 2.2%.

The Monetary Authority of Singapore (MAS) was also active, adopting a 0% appreciation rate for its policy band through the adjustment to its currency via the Nominal Effective Interest Rate, or S\$NEER. The MAS manages monetary policy through its exchange rate settings rather than interest rates.

Once again, oil was under the pump on concerns of weakening demand following comments from the International Energy Agency that global demand could drop as much as 20 million barrels per day (BPD), or 20%, and, Saudi Arabia admitted over the weekend that it was not in talks with Russia. Currently crude is down 9% to USD19.54 and Brent is down 12% to USD21.96.

Apart from the fall in the price of oil, markets were in a relatively buoyant mood overnight with most Asian and European bourses flat to slightly up.

US equities are currently reversing Friday’s falls, being up between 1.5% and 3%, while treasuries are flat with the US 2 year and 10 year yielding 0.24% and 0.675% respectively.

Currency markets are also quiet with the NZD and AUD easing a touch to 0.6000 and 0.6155 respectively against the USD as the USD index has consolidated to 99.15. All-up, one can take these moves in a positive light that implies consolidation rather than the extreme moves we have seen recently. The longer this consideration period lasts, the better.

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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	68.87					<b>CAD</b>	0.8490 0.8709
NZD/USD	0.6000	-0.0001	-0.0004	-0.0008	-0.0018	<b>CHF</b>	0.5761 0.5909
NZD/AUD	0.9748	-0.0004	-0.0010	-0.0016	-0.0030	<b>CNY</b>	4.2606 4.3707
NZD/JPY	64.82	-0.13	-0.34	-0.59	-1.05	<b>DKK</b>	4.0634 4.1684
NZD/EUR	0.5441	-0.0009	-0.0024	-0.0043	-0.0081	<b>FJD</b>	1.3678 1.4032
NZD/GBP	0.4843	-0.0005	-0.0011	-0.0017	-0.0028	<b>HKD</b>	4.6524 4.7727
						<b>KRW</b>	734.92 753.92
AU TWI	54.40					<b>MYR</b>	2.6054 2.6727
AUD/USD	0.6155	0.0001	0.0002	0.0001	0.0000	<b>NOK</b>	6.3426 6.5066
AUD/NZD	1.0259	0.0004	0.0010	0.0017	0.0031	<b>SEK</b>	6.0281 6.1839
AUD/JPY	66.50	-0.11	-0.28	-0.50	-0.88	<b>SGD</b>	0.8544 0.8765
AUD/EUR	0.5581	-0.0007	-0.0019	-0.0035	-0.0067	<b>TWD</b>	18.16 18.63
AUD/GBP	0.4967	-0.0003	-0.0006	-0.0010	-0.0014	<b>ZAR</b>	10.7662 11.0445
USD Index	99.10						
EUR/USD	1.1029	0.0016	0.0042	0.0072	0.0134	<b>EQUITIES</b>	
USD/JPY	108.05	-0.19	-0.50	-0.84	-1.42		<b>Index</b>
GBP/USD	1.2391	0.0009	0.0020	0.0027	0.0034	<b>NZX50</b>	9,661
EUR/GBP	0.8900	0.0006	0.0019	0.0039	0.0083	<b>ASX200</b>	5,181
						<b>Dow Jones</b>	22,211
						<b>S&amp;P 500</b>	2,607
						<b>FTSE100</b>	5,564
						<b>DAX 30</b>	9,816
						<b>Nikkei</b>	19,085
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	22.51
						<b>Brent Crude</b>	22.69
						<b>Gold</b>	1,615.60
						<b>Silver</b>	13.93
						<b>CRB Index</b>	129.18

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.39%	0.36%	0.37%	0.35%
90 day bank bills	0.54%	0.51%	0.41%	0.37%
FRA 90d in 3mths	0.54%	0.51%	0.34%	0.29%
FRA 180d in 6mths	0.53%	0.50%	0.43%	0.39%
1 year swap*	0.53%	0.51%	0.36%	0.35%
2 year swap*	0.53%	0.50%	0.37%	0.36%
3 year swap*	0.54%	0.51%	0.39%	0.38%
5 year swap*	0.62%	0.58%	0.60%	0.58%
10 year swap*	0.91%	0.88%	0.96%	0.95%
10 year Govt bond		0.99%		0.78%

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

SOURCE: Bloomberg

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