



MARKET ALERT

Thursday 5 March 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6286	-0.0002
NZD/AUD	0.9502	-0.0015
NZD/JPY	67.50	-0.48
NZD/EUR	0.5645	-0.0045
NZD/GBP	0.4885	-0.0012
NZD/CNH	4.3521	0.0266
AUD/USD	0.6616	0.0009
AUD/EUR	0.5942	-0.0038
EUR/USD	1.1134	0.0086
USD/CNH	6.9237	0.0441
GBP/USD	1.2868	0.0029
EUR/GBP	0.8652	0.0047

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.50%
90 day bills	0.77%	0.53%
2 year swap	0.64%	0.44%
10 year Govt	1.03%	0.72%

Super Joe saves the markets

Major stock indexes jumped as investors digested Joe Biden's strong performance in the Super Tuesday Democrat primaries and the impact of the Fed's surprise interest-rate cut. It appears now the race for the Democrat nomination is finally a two-horse race between Super Joe and Bernie Saunders as the likes of Michael Bloomberg concede and throw their support behind Biden. Elizabeth Warren is currently re-evaluating her prospects.

Currently US stocks are up around 3%, while US treasuries, gold, oil, and currencies are all broadly flat from yesterday's NZ close.

BoC and RBNZ step up to the plate

The Bank of Canada joined the 'band' and cut their benchmark overnight rate 50 points to 1.25% overnight in response to mounting worries about the economic toll of coronavirus, stating, "the outlook is clearly weaker now than it was in January," and "as the situation evolves, (the) Governing Council stands ready to adjust monetary policy further if required to support economic growth and keep inflation on target." The central bank said the global economy had shown signs of stabilizing before the coronavirus outbreak but "it is likely that as the virus spreads, business and consumer confidence will deteriorate, further depressing activity."

The RBNZ announced Governor, Adrian Orr, will make a short speech, to be released on March 10, on the high level principles around how the RBNZ would assess and use unconventional monetary policy tools if it felt they were ever needed. It made clear "the principles and speech will not discuss current economic conditions or the Reserve Bank's outlook for the Official Cash Rate (OCR). The Reserve Bank's next OCR decision is scheduled for March 25," the Reserve Bank said in bold in its statement. "The Bank remains prepared in its business continuity role to ensure a well-functioning financial system, including ongoing consumer and business access to credit and cash, liquidity to the banking system and a stable payments and settlements system," the Bank added.

The next central bank action revolves around the BoE and ECB with talk the BoE will execute an emergency rate cut this week while the suggestion is the ECB will cut 10 points and make changes to local bank lending criteria.

While central banks may be back in the spotlight, there is some doubt within the markets that their decisions will make a significant impact after a decade of easy monetary policy.

Services going the way of industry

After an abysmal result for manufacturing globally, markets looked to the services sector in desperation to hold up an economy struggling with supply and demand side shocks.

The Chinese Caixin services PMI plummeted to a record low at 26.5, well below market expectations of 48.0, and will dampen Chinese and global growth prospects and could put a March quarter contraction on the cards for many economies.

The US ISM non-manufacturing PMI surprisingly beat market expectations, which cushions the blow from the downbeat manufacturing numbers witnessed earlier this week.

Firms around the globe will be feeling the effect of the soft Caixin PMI numbers as they face supply side issues, which could result in firms laying off staff and dampen consumer spending in following quarters.

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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	69.95					CAD	0.8422 0.8864
NZD/USD	0.6286	0.0000	0.0000	-0.0002	-0.0005	CHF	0.6015 0.6331
NZD/AUD	0.9502	-0.0004	-0.0009	-0.0015	-0.0021	CNY	4.3536 4.5820
NZD/JPY	67.50	-0.10	-0.26	-0.48	-0.95	DKK	4.2191 4.4404
NZD/EUR	0.5645	-0.0009	-0.0024	-0.0045	-0.0086	FJD	1.3916 1.4646
NZD/GBP	0.4885	-0.0003	-0.0007	-0.0012	-0.0022	HKD	4.8844 5.1407
						KRW	745.64 784.76
AU TWI	57.10					MYR	2.6278 2.7657
AUD/USD	0.6616	0.0002	0.0006	0.0009	0.0010	NOK	5.8247 6.1303
AUD/NZD	1.0525	0.0004	0.0010	0.0016	0.0024	SEK	5.9606 6.2733
AUD/JPY	71.05	-0.08	-0.21	-0.40	-0.84	SGD	0.8702 0.9158
AUD/EUR	0.5942	-0.0007	-0.0020	-0.0038	-0.0078	TWD	18.82 19.81
AUD/GBP	0.5141	-0.0001	-0.0003	-0.0005	-0.0011	ZAR	9.6031 10.1069
USD Index	97.38						
EUR/USD	1.1134	0.0017	0.0047	0.0086	0.0164	EQUITIES	
USD/JPY	107.40	-0.16	-0.41	-0.74	-1.42		Index
GBP/USD	1.2868	0.0008	0.0019	0.0029	0.0047	NZX50	11,418
EUR/GBP	0.8652	0.0008	0.0024	0.0047	0.0096	ASX200	6,325
						Dow Jones	26,736
						S&P 500	3,088
						FTSE100	6,816
						DAX 30	12,128
						Nikkei	21,100
						COMMODITIES	
							USD
						Dubai Light	51.25
						Brent Crude	51.35
						Gold	1,637.93
						Silver	17.21
						CRB Index	175.02
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		1.03%	0.99%	0.57%	0.55%		
90 day bank bills		0.79%	0.75%	0.55%	0.51%		
FRA 90d in 3mths		0.64%	0.61%	0.43%	0.38%		
FRA 180d in 6mths		0.64%	0.61%	0.49%	0.45%		
1 year swap*		0.66%	0.63%	0.44%	0.43%		
2 year swap*		0.66%	0.63%	0.44%	0.43%		
3 year swap*		0.68%	0.65%	0.47%	0.46%		
5 year swap*		0.75%	0.72%	0.65%	0.64%		
10 year swap*		1.05%	1.02%	0.94%	0.93%		
10 year Govt bond			1.01%		0.72%		

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

SOURCE: Bloomberg

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