



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 6 March 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6298	-0.0005
NZD/AUD	0.9550	-0.0013
NZD/JPY	67.02	-0.51
NZD/EUR	0.5623	-0.0046
NZD/GBP	0.4868	-0.0014
NZD/CNH	4.3736	0.0235
AUD/USD	0.6595	0.0003
AUD/EUR	0.5887	-0.0040
EUR/USD	1.1201	0.0083
USD/CNH	6.9446	0.0432
GBP/USD	1.2939	0.0026
EUR/GBP	0.8657	0.0046

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.50%
90 day bills	0.82%	0.55%
2 year swap	0.70%	0.43%
10 year Govt	1.07%	0.78%

The carnage continues

Another night of red and, it would seem, we're in for a few more weeks, if not months, of extreme market gyrations.

Last night's weakness was attributed to the eleventh coronavirus related death in the US and, once again, major stock indexes dropped, reflecting continued volatility in the markets as investors around the world remain jittery about the economic fallout from the virus.

Between yesterday's Super Joe rally, and today's sell-off, one has to question the wisdom of equity traders' actions given nothing has fundamentally changed.

US Treasuries have been the main beneficiary though, as yields continue to plummet, with the 2 year yield at 0.58%, the 10 year at 0.93%, and the 30 year at 1.57%.

Currency markets are reacting in a more restrained manner with the usual safe haven flows into the JPY, CHF and, to a lesser extent, the Euro. Overnight the NZD/USD was extremely stable, sitting just below the 0.6300 level, implying that it's not predominately on speculator's radars, although we are starting to see shorts build again in the futures market. Gold continues to be a favourite, rallying 1.9%, while oil is flat on news that OPEC will cut production, and, while the Russians will join in with the cuts, they won't actually announce how many barrels they will slow production by. The CBOE volatility index, the VIX, rose 2.5 points to 34.54.

In other, this is blindingly obvious, news, Elizabeth Warren has officially announced her withdrawal from the race for the Democratic nomination. CitiBank has shot down the V-shaped recovery theory as expectations the global economy will bounce back are looking increasingly misplaced. The WHO have called on the world to 'pull out all

stops' in the fight against coronavirus. And finally, a pet dog has contracted coronavirus in Hong Kong.

Australia's in trouble

The Australian economy was showing signs of recovery over the second half of 2019; however, bushfires, floods and coronavirus suggest that the momentum is unlikely to last, despite the fiscal and monetary easing that is to come.

December quarter GDP rose 0.5% with the economy growing 2.2% from a year earlier. This beat market expectations of 0.4% growth for the quarter. The Australian economy grew at 1.8% over 2019, its slowest pace since its last recession back in 1991. Private demand was flat which reflects a combination of downbeat consumer spending, falling business investment and declines in residential construction activity. Public demand was the major driver for growth in 2019.

Weak growth in the private sector, combined with the recent natural disasters and the coronavirus outbreak, paints a dim picture for the Australian economy in 2020. Forecasts are for negative growth in the March 2020 quarter, with a high risk of entering a technical recession, depending on longevity of the epidemic and how monetary and fiscal easing are deployed.

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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	70.08					CAD	0.8456 0.8854
NZD/USD	0.6298	-0.0001	-0.0002	-0.0005	-0.0011	CHF	0.5974 0.6255
NZD/AUD	0.9550	-0.0004	-0.0009	-0.0013	-0.0018	CNY	4.3684 4.5742
NZD/JPY	67.02	-0.11	-0.28	-0.51	-0.97	DKK	4.2000 4.3979
NZD/EUR	0.5623	-0.0010	-0.0025	-0.0046	-0.0087	FJD	1.3941 1.4598
NZD/GBP	0.4868	-0.0004	-0.0008	-0.0014	-0.0024	HKD	4.8961 5.1268
						KRW	749.65 784.97
AU TWI	57.40					MYR	2.6262 2.7499
AUD/USD	0.6595	0.0002	0.0004	0.0003	0.0001	NOK	5.8516 6.1273
AUD/NZD	1.0471	0.0004	0.0010	0.0014	0.0020	SEK	5.9558 6.2364
AUD/JPY	70.18	-0.09	-0.22	-0.44	-0.89	SGD	0.8730 0.9141
AUD/EUR	0.5887	-0.0008	-0.0021	-0.0040	-0.0080	TWD	18.84 19.73
AUD/GBP	0.5097	-0.0002	-0.0004	-0.0008	-0.0016	ZAR	9.8320 10.2952
USD Index	96.83						
EUR/USD	1.1201	0.0017	0.0046	0.0083	0.0157	EQUITIES	
USD/JPY	106.43	-0.16	-0.40	-0.71	-1.36		Index
GBP/USD	1.2939	0.0007	0.0017	0.0026	0.0043	NZX50	11,641
EUR/GBP	0.8657	0.0009	0.0024	0.0046	0.0093	ASX200	6,396
						Dow Jones	26,127
						S&P 500	3,033
						FTSE100	6,705
						DAX 30	11,945
						Nikkei	21,329
						COMMODITIES	
							USD
						Dubai Light	50.58
						Brent Crude	50.26
						Gold	1,667.04
						Silver	17.38
						CRB Index	172.60

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.03%	0.99%	0.59%	0.57%
90 day bank bills	0.84%	0.80%	0.57%	0.53%
FRA 90d in 3mths	0.70%	0.67%	0.46%	0.41%
FRA 180d in 6mths	0.70%	0.67%	0.52%	0.48%
1 year swap*	0.70%	0.67%	0.47%	0.46%
2 year swap*	0.72%	0.69%	0.44%	0.43%
3 year swap*	0.74%	0.71%	0.47%	0.47%
5 year swap*	0.82%	0.78%	0.64%	0.62%
10 year swap*	1.12%	1.09%	0.91%	0.90%
10 year Govt bond		1.05%		0.78%

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

SOURCE: Bloomberg

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