



MARKET ALERT

Monday 9 March 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6334	-0.0016
NZD/AUD	0.9574	-0.0022
NZD/JPY	66.10	-0.61
NZD/EUR	0.5587	-0.0053
NZD/GBP	0.4849	-0.0020
NZD/CNH	4.3920	0.0188
AUD/USD	0.6616	-0.0002
AUD/EUR	0.5835	-0.0043
EUR/USD	1.1338	0.0080
USD/CNH	6.9342	0.0477
GBP/USD	1.3062	0.0021
EUR/GBP	0.8680	0.0047
INT RATES	NZ	Australia
OCR/Cash	1.00%	0.50%
90 day bills	0.83%	0.57%
2 year swap	0.71%	0.50%
10 year Govt	0.94%	0.68%

The data didn't support the price action ...

From the US we saw stellar economic data prints highlighting the state of the US economy pre-coronavirus.

Non-farm payrolls were the highlight with 273,000 workers added in February, well ahead of the market expectation of 175,000, with the jobless rate at 3.5%, its lowest level in 50 years.

Wages increased 0.3% from the January month, and 3.0% from a year earlier, but, with China being 4 weeks ahead of

the developed nations in the coronavirus fight, we are starting to see the havoc it has wreaked on their economy.

China's exports plummeted 17.2%, in dollar terms, across January and February, while imports fell by 4.0% in the same period. China posted a trade deficit of \$7.1 billion in the first two months of the calendar year.

The slowing of imports raises doubts that China will be able to meet its target in its trade deal with the US. China has agreed to buy \$200 billion more US goods than it did in 2017, but imports from the US rose at just 2.5% while exports to the US fell almost 28%. Unfortunately, the US data was largely looked through as it was perceived to have been backward looking and not particularly relevant in the 'new' coronavirus environment, while the markets had expected the Chinese data to be poor.

Friday night saw further volatility as markets continued to ebb and flow. US equity markets spent most of the trading session down 3-4%, but a huge rally into the close meant loses were rapidly cut in the final 10 minutes. Eventually, US equities closed down a modest 1-2% on the day, to actually end the week up slightly.

Of greater concern was the US Treasury market, which suffered its largest falls, in yield terms, since 2009. The US 10 yield was below 0.70% at one stage

before eventually settling at 0.76% on the close. In amongst this, the US dollar has continued to retrace from its multi year high, being off 3.8% from 20 February. This has seen some strength return to the NZD and AUD, which are currently trading at 0.6335 and 0.6615 respectively.

Oil price war

Global oil prices got thumped on Friday following failed talks between the OPEC alliance members. While Saudi Arabia have been pushing for significant cuts to production to try to offset recent contraction in demand, Russia refused to agree in what would have been the biggest supply cuts since the GFC. Chinese usage is said to have dropped by about 3 million barrels a day, or 20% of total normal consumption, as a result of the coronavirus, with further demand shocks likely as the impact spreads.

As pricing tensions heat up, Saudi Arabia is now said to be planning to boost oil production as an all out price war begins. State oil giant Saudi Aramco is offering unprecedented discounts in Asia, Europe and the US to entice refiners to use Saudi crude.

The WTI closed at USD41.30 a barrel, having started the year above USD60.00 a barrel.

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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	70.35					CAD	0.8553 0.8933
NZD/USD	0.6334	-0.0002	-0.0011	-0.0016	-0.0024	CHF	0.5969 0.6234
NZD/AUD	0.9574	-0.0004	-0.0017	-0.0022	-0.0035	CNY	4.3978 4.5935
NZD/JPY	66.10	-0.13	-0.35	-0.61	-1.12	DKK	4.1738 4.3595
NZD/EUR	0.5587	-0.0011	-0.0031	-0.0053	-0.0095	FJD	1.4047 1.4672
NZD/GBP	0.4849	-0.0004	-0.0014	-0.0020	-0.0032	HKD	4.9201 5.1390
						KRW	754.22 787.78
AU TWI	57.10					MYR	2.6559 2.7741
AUD/USD	0.6616	0.0000	0.0000	-0.0002	-0.0001	NOK	5.9064 6.1692
AUD/NZD	1.0445	0.0004	0.0018	0.0024	0.0038	SEK	5.9445 6.2090
AUD/JPY	69.05	-0.10	-0.25	-0.48	-0.92	SGD	0.8736 0.9124
AUD/EUR	0.5835	-0.0009	-0.0022	-0.0043	-0.0079	TWD	19.05 19.90
AUD/GBP	0.5065	-0.0002	-0.0005	-0.0010	-0.0015	ZAR	9.9999 10.4448
USD Index	95.95						
EUR/USD	1.1338	0.0018	0.0043	0.0080	0.0152	EQUITIES	
USD/JPY	104.38	-0.16	-0.37	-0.70	-1.37		Index
GBP/USD	1.3062	0.0007	0.0014	0.0021	0.0036	NZX50	11,426
EUR/GBP	0.8680	0.0010	0.0024	0.0047	0.0092	ASX200	6,216
						Dow Jones	25,865
						S&P 500	2,972
						FTSE100	6,463
						DAX 30	11,542
						Nikkei	20,750
						COMMODITIES	
							USD
						Dubai Light	44.51
						Brent Crude	45.27
						Gold	1,673.33
						Silver	17.30
						CRB Index	165.40

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.02%	0.98%	0.59%	0.57%
90 day bank bills	0.85%	0.81%	0.59%	0.55%
FRA 90d in 3mths	0.73%	0.71%	0.49%	0.44%
FRA 180d in 6mths	0.75%	0.72%	0.56%	0.52%
1 year swap*	0.78%	0.75%	0.50%	0.49%
2 year swap*	0.73%	0.70%	0.51%	0.49%
3 year swap*	0.73%	0.70%	0.56%	0.54%
5 year swap*	0.79%	0.75%	0.66%	0.66%
10 year swap*	1.04%	1.00%	0.89%	0.89%
10 year Govt bond		0.92%		0.68%

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

SOURCE: Bloomberg

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