



# MARKET ALERT

Wednesday 1 April 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.5951	-0.0009
NZD/AUD	0.9701	-0.0015
NZD/JPY	64.09	-0.53
NZD/EUR	0.5404	-0.0041
NZD/GBP	0.4783	-0.0017
NZD/CNH	4.2217	0.0075
AUD/USD	0.6136	0.0000
AUD/EUR	0.5571	-0.0033
EUR/USD	1.1014	0.0067
USD/CNH	7.1227	0.0235
GBP/USD	1.2442	0.0024
EUR/GBP	0.8852	0.0037
INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.50%	0.36%
2 year swap	0.53%	0.34%
10 year Govt	1.08%	0.76%

## RBNZ hike rates to 1.00%

April fools!

The latest business survey released yesterday showed that COVID-19 has taken a sledgehammer to the confidence of New Zealand businesses. The monthly ANZBO headline confidence index showed a net 63.5% of firms expect conditions to get worse in the next 12 months, the worst reading in 15 years.

Worse yet, the own activity index slumped to its worse reading since the survey began in 1988 as a net 27% of businesses expect their own conditions to get worse. The own activity index is a strong proxy for GDP, hinting that this

quarter/year's GDP figures will make for some miserable reading.

But wait, it could get worse. A third of the respondents to the survey responded after 19th March, and the average of those was net 81% expecting conditions to deteriorate. The theoretical limit is minus 100%, and its possible April could reach that. For their own activity, that same third scored a net 55% expecting their own businesses to get worse.

There was pretty much nothing to get excited about in the detail. Employment, investment, profit, pricing, export, and construction intentions all slumped. It's hardly surprising to see the retail sector lead the way down with the most dire indicators, given that we are all locked up at home. The NZD was hardly moved by the result, which goes to show the markets are expecting results like this.

## Markets mixed for month end

While we saw extreme intra-month movements in financial markets, the month and quarter end was a much more subdued affair. Portfolio re-balancing saw the USD strengthen slightly and the risk currencies ease a touch, as the NZD and AUD drifted back to 0.5935 and 0.6115. Interestingly, the NZD/AUD has also retraced from its recent highs to 0.9700.

Treasuries edged higher, with the 10-year yield falling to 0.66%, on signs

of a potential fourth round of US stimulus as President Trump called for an additional USD2 trillion to support an infrastructure package. US equities took the news in its stride and are currently trading down 1%. Interestingly, gold has sold off 1.6% to be below the USD1,600 level, currently trading at USD1,590, while crude oil has rallied 2.4%, back above the USD20 a barrel.

The FED was busy though, announcing a temporary repo facility for foreign and international monetary authorities. Under this new facility, central banks and monetary authorities will be able to swap US treasury securities for US dollars. By all accounts, the FED, often referred to as the 'lender of last resort,' is now a larger net borrower (via its reverse repo operations with money funds) than it is a lender (via its repo operations with the banks).

Asian stocks were supported by encouraging signs from China, which had stronger than expected manufacturing data as their PMI index rose to 52.0 from the previous months record low of 35.7.

Finally, FED member, Daly, was on the newswires stating she suspects the US is already in a recession, while the ratings agency S&P has downgraded global growth to just 0.4% for the year, its lowest level since the comparable 0.43% in 1982.

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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	68.30					CAD	0.8390	0.8648
NZD/USD	0.5951	-0.0001	-0.0004	-0.0009	-0.0020	CHF	0.5736	0.5913
NZD/AUD	0.9701	-0.0004	-0.0008	-0.0015	-0.0029	CNY	4.2158	4.3457
NZD/JPY	64.09	-0.12	-0.28	-0.53	-0.96	DKK	4.0343	4.1586
NZD/EUR	0.5404	-0.0008	-0.0022	-0.0041	-0.0080	FJD	1.3583	1.4002
NZD/GBP	0.4783	-0.0005	-0.0010	-0.0017	-0.0027	HKD	4.6142	4.7564
						KRW	725.22	747.58
AU TWI	54.70					MYR	2.5771	2.6565
AUD/USD	0.6136	0.0001	0.0001	0.0000	-0.0002	NOK	6.1971	6.3881
AUD/NZD	1.0308	0.0004	0.0009	0.0016	0.0031	SEK	5.9109	6.0931
AUD/JPY	66.08	-0.10	-0.23	-0.44	-0.79	SGD	0.8461	0.8721
AUD/EUR	0.5571	-0.0006	-0.0018	-0.0033	-0.0066	TWD	18.01	18.57
AUD/GBP	0.4931	-0.0003	-0.0006	-0.0009	-0.0013	ZAR	10.6015	10.9282
USD Index	99.16							
EUR/USD	1.1014	0.0014	0.0038	0.0067	0.0129	<b>EQUITIES</b>		
USD/JPY	107.71	-0.17	-0.40	-0.72	-1.26			<b>Index</b>
GBP/USD	1.2442	0.0009	0.0019	0.0024	0.0030	NZX50		9,797
EUR/GBP	0.8852	0.0005	0.0017	0.0037	0.0082	ASX200		5,077
						Dow Jones		22,167
						S&P 500		2,610
						FTSE100		5,672
						DAX 30		9,936
						Nikkei		18,917
						<b>COMMODITIES</b>		
								<b>USD</b>
						Dubai Light		23.26
						Brent Crude		26.32
						Gold		1,583.30
						Silver		14.01
						CRB Index		129.29

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.38%	0.35%	0.36%	0.34%
90 day bank bills	0.52%	0.49%	0.38%	0.34%
FRA 90d in 3mths	0.53%	0.50%	0.32%	0.27%
FRA 180d in 6mths	0.53%	0.50%	0.39%	0.35%
1 year swap*	0.52%	0.49%	0.34%	0.33%
2 year swap*	0.54%	0.52%	0.35%	0.34%
3 year swap*	0.56%	0.54%	0.38%	0.37%
5 year swap*	0.64%	0.61%	0.58%	0.57%
10 year swap*	0.95%	0.91%	0.90%	0.90%
10 year Govt bond		1.04%		0.76%

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

SOURCE: Bloomberg

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