



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 14 April 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6099	-0.0010
NZD/AUD	0.9541	-0.0017
NZD/JPY	65.67	-0.48
NZD/EUR	0.5588	-0.0039
NZD/GBP	0.4873	-0.0015
NZD/CNH	4.3026	0.0022
AUD/USD	0.6394	0.0001
AUD/EUR	0.5857	-0.0030
EUR/USD	1.0917	0.0058
USD/CNH	7.1227	0.0155
GBP/USD	1.2518	0.0017
EUR/GBP	0.8721	0.0034
INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.45%	0.21%
2 year swap	0.46%	0.33%
10 year Govt	1.19%	0.91%

Last weeks close, this weeks open

Last week US stocks posted their biggest weekly gain since 1974 as investors looked beyond another week of staggering jobless claims numbers as another 6.6 million Americans signed on. This brings the total number of initial jobless claims over the last three weeks to an incredible 16.78 million!

With the start of the new trading week, we have seen profit taking come to the fore as we enter Q1 earning season. The highlight this week will be JP Morgan reporting tomorrow and hearing what CEO Jamie Dimon has to say.

For those that missed it, last week the Fed announced additional stimulus that could eventually total USD2.3 trillion targeting local governments, and, small and mid-sized businesses. The new 'Main Street' facility will see the Fed funnel up to USD600 billion in loans, of at least USD1 million, to firms that have up to 10,000 employees, or, less than USD2.5 billion in revenues. Terms would see an interest rate equal to the Fed's Secure Overnight Financing Rate, currently 0.01%, plus 250-400 basis points with a four-year maturity. In addition, the Fed will pump up to USD500 billion into local government municipal-bond purchases, purchase 'fallen angel' bonds from companies that have recently lost their investment-grade ratings, and has expanded its Term Asset-Backed Securities Loan Facility to include top-rated commercial mortgage-backed securities and collateralised loan obligations.

Fed Chair, Jerome Powell, said the demands of the crisis have led the central bank to broaden its role beyond the usual focus on keeping markets "liquid" and functional, to help the US get the economic and financial space it needs to fix a dire health emergency.

At least a certain Mr Powell is being decisive, unlike the European Union finance ministers. While they have agreed on an additional EUR500 billion of fiscal stimulus, they have yet to answer the real question of how to finance a

recovery even as they spin helplessly into a recession. Ministers have agreed on a EUR100 billion package for wage subsidises, for the European Investment Bank to provide EUR200 billion in loans to companies, and for the European Stability Mechanism ("ESM") bailout fund to make EUR240 billion of cheap loans available to governments.

Looking at oil, JP Morgan, Wells Fargo, BoA and CitiBank are each in the process of setting up independent companies to own oil and gas assets to avoid losses on loans to energy companies that may go bankrupt. The US oil and gas industry is estimated to owe more than USD200 billion to lenders through loans backed by oil reserves. While OPEC have agreed to cut production to 10 million barrels per day, and their allies, known as OPEC+, have potentially agreed to production cuts as well, few believe the curtailment can offset a 30% drop in global fuel demand. Currently Crude is trading at USD22.50 and Brent at USD31.75

The US is sagging across the board with the commodity currencies the main beneficiaries. The NZD/USD has broken up into a new range to be trading at 0.6100 with the AUD/USD at 0.6400 The 10-year Treasury is trading at 0.75%, while gold touched \$1,715 overnight, its highest level since December 2012.



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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	69.32					CAD	0.8455 0.8862
NZD/USD	0.6099	-0.0001	-0.0005	-0.0010	-0.0021	CHF	0.5899 0.6182
NZD/AUD	0.9541	-0.0003	-0.0009	-0.0017	-0.0032	CNY	4.3015 4.5084
NZD/JPY	65.67	-0.08	-0.24	-0.48	-0.95	DKK	4.1717 4.3724
NZD/EUR	0.5588	-0.0006	-0.0019	-0.0039	-0.0078	FJD	1.3900 1.4568
NZD/GBP	0.4873	-0.0003	-0.0008	-0.0015	-0.0027	HKD	4.7292 4.9567
						KRW	741.12 776.78
AU TWI	55.10					MYR	2.6259 2.7522
AUD/USD	0.6394	0.0001	0.0001	0.0001	-0.0001	NOK	6.2810 6.5832
AUD/NZD	1.0481	0.0004	0.0010	0.0019	0.0035	SEK	6.1025 6.3961
AUD/JPY	68.84	-0.06	-0.19	-0.38	-0.77	SGD	0.8632 0.9047
AUD/EUR	0.5857	-0.0004	-0.0015	-0.0030	-0.0062	TWD	18.36 19.24
AUD/GBP	0.5108	-0.0001	-0.0003	-0.0006	-0.0011	ZAR	11.0452 11.5765
USD Index	99.41						
EUR/USD	1.0917	0.0009	0.0029	0.0058	0.0116	EQUITIES	
USD/JPY	107.68	-0.10	-0.31	-0.60	-1.18		Index
GBP/USD	1.2518	0.0003	0.0010	0.0017	0.0026	NZX50	9,964
EUR/GBP	0.8721	0.0005	0.0016	0.0034	0.0074	ASX200	5,387
						Dow Jones	23,411
INTEREST		New Zealand		Australia		S&P 500	2,762
RATES		Borrow	Invest	Borrow	Invest	FTSE100	5,843
30 day bank bills		0.35%	0.31%	0.20%	0.18%	DAX 30	10,565
90 day bank bills		0.47%	0.43%	0.23%	0.19%	Nikkei	19,043
FRA 90d in 3mths		0.45%	0.37%	0.28%	0.23%	COMMODITIES	
FRA 180d in 6mths		0.45%	0.42%	0.35%	0.31%		USD
1 year swap*		0.45%	0.41%	0.28%	0.26%	Dubai Light	26.08
2 year swap*		0.49%	0.42%	0.33%	0.32%	Brent Crude	32.10
3 year swap*		0.53%	0.46%	0.40%	0.39%	Gold	1,716.79
5 year swap*		0.64%	0.58%	0.63%	0.61%	Silver	15.41
10 year swap*		1.03%	0.97%	1.02%	1.00%	CRB Index	135.82
10 year Govt bond			1.16%		0.91%		

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

SOURCE: Bloomberg

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