



MARKET ALERT

Wednesday 15 April 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6095	-0.0010
NZD/AUD	0.9477	-0.0018
NZD/JPY	65.31	-0.45
NZD/EUR	0.5550	-0.0036
NZD/GBP	0.4828	-0.0014
NZD/CNH	4.2954	0.0044
AUD/USD	0.6431	0.0002
AUD/EUR	0.5855	-0.0027
EUR/USD	1.0983	0.0054
USD/CNH	7.1227	0.0188
GBP/USD	1.2625	0.0015
EUR/GBP	0.8699	0.0033

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.45%	0.17%
2 year swap	0.45%	0.31%
10 year Govt	1.14%	0.93%

Q1 earning season begins ...

Markets were in a buoyant mood overnight as investors looked beyond the COVID-19 crisis after JP Morgan and Wells Fargo disappointed on expectations. JP Morgan's Q1 profit tumbled a whopping 69% after the bank (temporarily) closed hundreds of branches, corporate customers drew down billions on credit lines, and the bank set aside a whopping USD6.8 billion for loan provisions to cover potential losses.

Perhaps investors found solace from Fed members, who were busy on the newswires. Chicago member, Charles Evans, expressed concerns over inflation stating he's "more worried about too low-inflation than too high," and, from a moral

perspective, "(the) biggest worry from a moral hazard standpoint would be a too big to fail institution, with risk pricing too low. Programs must have no favouritism."

Meanwhile, the Federal Bank President of St Louis, James Bullard, was pushing for mass testing to get the economy moving, stating, "the virus costs USD25 billion per day and cannot be sustained forever," and adding, "widespread testing would put an end to the crisis." Finally, the Fed CEO, Raphael Bostic, added his two pennies worth with, "confident help will reach business on time, but likely more is needed for small business, local government, gig economy workers," and then, "dealing with costs of crisis will be more manageable with renewed growth."

So ... a positive outlook?

China recorded yet another trade surplus following the easing of the COVID-19 lockdown. While Chinese dollar-denominated exports fell 6.6% in March from a year ago and imports slipped 0.9%, the numbers exceeded expectations producing a March trade surplus at \$19.9 billion versus an expected \$18.55 billion.

Finance Minister, Grant Robertson, announced new measures to provide relief for small and medium sized businesses stating, "we need our businesses to stay solvent to help with the economic recovery as we emerge from this health crisis." The measures include a tax loss carry-back scheme, changes to tax loss continuity rules, business consultancy support, greater flexibility for affected

businesses to meet tax obligations and measures to support commercial tenants and landlords.

Australian business confidence plummeted to its lowest on record as sentiment slid to -66 from -2, while the conditions index, which measures hiring, sales and profits, slumped to -21 from 0. According to the report, the decline in forward orders and business conditions implies a large fall in GDP over the next 6 months and a recession of unprecedented speed and magnitude for the Australian economy over the next three quarters.

This really sums up Europe's attempts to contain COVID-19. Europe's hardest hit countries have both extended lockdowns while planning re-openings. France's President Macron has extended the lockdown for 15 days while Spain has signalled a loosening by re-opening non-essential works such as the construction sector.

Meanwhile, Italy is doing both — announcing an extension of lockdown measures to 3 May, but with businesses getting nervous and anxious about the decision, certain businesses, such as timber companies, bookshops and stores selling children's supplies can reopen today.

As mentioned, equity markets have put in another stellar performance, currencies consolidated their gains with the NZD at 0.6100 and the AUD at 0.6430, while the NZD/AUD has cracked lower at 0.9475. Oil remains weak, gold has continued its rally, and US treasuries are flat.

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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	69.07					CAD	0.8478	0.8945
NZD/USD	0.6095	-0.0002	-0.0005	-0.0010	-0.0020	CHF	0.5852	0.6175
NZD/AUD	0.9477	-0.0004	-0.0010	-0.0018	-0.0033	CNY	4.2960	4.5330
NZD/JPY	65.31	-0.07	-0.23	-0.45	-0.90	DKK	4.1415	4.3700
NZD/EUR	0.5550	-0.0006	-0.0018	-0.0036	-0.0074	FJD	1.3735	1.4493
NZD/GBP	0.4828	-0.0002	-0.0007	-0.0014	-0.0024	HKD	4.7241	4.9848
						KRW	739.45	780.26
AU TWI	56.60					MYR	2.6431	2.7890
AUD/USD	0.6431	0.0001	0.0002	0.0002	0.0001	NOK	6.2761	6.6224
AUD/NZD	1.0552	0.0004	0.0011	0.0020	0.0037	SEK	6.0617	6.3962
AUD/JPY	68.91	-0.05	-0.16	-0.35	-0.72	SGD	0.8615	0.9090
AUD/EUR	0.5855	-0.0004	-0.0013	-0.0027	-0.0058	TWD	18.32	19.33
AUD/GBP	0.5094	-0.0001	-0.0002	-0.0005	-0.0008	ZAR	11.1578	11.7735
USD Index	98.88							
EUR/USD	1.0983	0.0009	0.0027	0.0054	0.0112	EQUITIES		
USD/JPY	107.17	-0.09	-0.28	-0.57	-1.14			Index
GBP/USD	1.2625	0.0003	0.0009	0.0015	0.0023	NZX50		10,159
EUR/GBP	0.8699	0.0005	0.0015	0.0033	0.0073	ASX200		5,488
						Dow Jones		23,941
						S&P 500		2,842
						FTSE100		5,791
						DAX 30		10,697
						Nikkei		19,639
						COMMODITIES		
								USD
						Dubai Light		24.82
						Brent Crude		30.08
						Gold		1,729.86
						Silver		15.72
						CRB Index		133.78

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.36%	0.33%	0.17%	0.15%
90 day bank bills	0.47%	0.44%	0.19%	0.15%
FRA 90d in 3mths	0.42%	0.39%	0.25%	0.20%
FRA 180d in 6mths	0.42%	0.39%	0.32%	0.28%
1 year swap*	0.45%	0.41%	0.25%	0.23%
2 year swap*	0.47%	0.44%	0.32%	0.30%
3 year swap*	0.50%	0.47%	0.38%	0.37%
5 year swap*	0.61%	0.58%	0.63%	0.62%
10 year swap*	0.99%	0.95%	1.04%	1.02%
10 year Govt bond		1.11%		0.93%

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

SOURCE: Bloomberg

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