



# MARKET ALERT

Thursday 2 April 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.5918	-0.0010
NZD/AUD	0.9745	-0.0018
NZD/JPY	63.45	-0.50
NZD/EUR	0.5414	-0.0040
NZD/GBP	0.4781	-0.0016
NZD/CNH	4.2198	0.0043
AUD/USD	0.6073	0.0001
AUD/EUR	0.5556	-0.0031
EUR/USD	1.0931	0.0063
USD/CNH	7.1227	0.0194
GBP/USD	1.2377	0.0022
EUR/GBP	0.8831	0.0035
INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.49%	0.32%
2 year swap	0.53%	0.33%
10 year Govt	1.36%	0.68%

## Painful start to Q2

Global equities started the second quarter in negative territory, broadly off 4% across Europe and the US, after President Trump warned of a 'painful' two weeks ahead in the COVID-19 fight. In addition, investors remain concerned about the global impact as the headline numbers near the physiological 1 million mark, and as business surveys continue to point to a marked deterioration in the manufacturing and services activity.

As an example, yesterday we had the Bank of Japan Tankan survey. The Tankan is a measurement of business sentiment and was, as one would expect,

woeful, hitting multi year lows from manufacturers and non-manufacturers alike. Already reeling from last year's sales tax hike and the trade war, COVID-19 is now accelerating across the country leading to the 5th consecutive quarter of declines. This is now the longest Japanese downturn since the collapse of Lehman Brothers in 2008. Overnight also saw numerous Markit Manufacturing PMI's for March, which were all in retraction with prints below 50, apart from China that printed at an impressive 50.1 (Hmmmmm).

## AUD flash spikes

While equities were a sea of red, FX and fixed income markets were relatively stable. While the NZD and AUD have eased a touch to 0.5920 and 0.6075, there was a nasty spike overnight.

The AUD flash spiked 130 points higher in the space of 5 minutes heading into the London fix this morning, in an apparent liquidity squeeze. As a result, the NZD was dragged higher but with less gusto.

The AUD/USD climbed from 0.6055 to as high as 0.6185, with 100 of those points coming within 1 minute before giving back a quick 50 points. The pair then entirely unwound the move over the next few hours. The AUD/JPY saw a similar move, climbing from 64.90 to 66.35 before completely retreating.

The NZD/USD spiked from 0.5900 to 0.5980 at the same time, but because the move was more subdued, the result was the NZD/AUD crashing to 0.9670, its lowest level in three weeks.

US treasuries continued to grind lower with the US 10 year hitting a 0.63% yield, while President Trump is, unsuccessfully, trying to find a bottom to the oil price. Following his attempt to put pressure on the Saudi's at the G20 conference call a few days ago, and a call yesterday with Putin that, "may prove to be an important turning point," President Trump is meeting with oil company CEO's about providing support to the industry. Regardless of his actions, the Saudi's increased production to 12 million barrels per day, which saw the price of Brent fall 5.8% to USD24.81. Crude is flat on the day.

Yesterday, the RBA released the minutes from their monetary policy meeting on the 18 March, highlighted that the members had no appetite for negative interest rates in Australia and agreed that the cash rate was now at its effective lower bound.

Some positive news; the Morgan Stanley, Chief Equity strategist, has said equities are 'unlikely' to re-test the lows, while his Goldman Sachs equivalent has said the S&P will hit 3,000 in the 3rd quarter of 2020.

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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	68.26					CAD	0.8411 0.8631
NZD/USD	0.5918	-0.0002	-0.0005	-0.0010	-0.0020	CHF	0.5723 0.5872
NZD/AUD	0.9745	-0.0005	-0.0011	-0.0018	-0.0031	CNY	4.2014 4.3113
NZD/JPY	63.45	-0.10	-0.27	-0.50	-0.92	DKK	4.0417 4.1475
NZD/EUR	0.5414	-0.0007	-0.0022	-0.0040	-0.0078	FJD	1.3535 1.3890
NZD/GBP	0.4781	-0.0004	-0.0010	-0.0016	-0.0027	HKD	4.5874 4.7074
						KRW	732.71 751.88
AU TWI	54.30					MYR	2.5754 2.6427
AUD/USD	0.6073	0.0001	0.0002	0.0001	-0.0001	NOK	6.2104 6.3729
AUD/NZD	1.0262	0.0005	0.0012	0.0018	0.0033	SEK	5.9447 6.1002
AUD/JPY	65.11	-0.07	-0.20	-0.40	-0.74	SGD	0.8506 0.8729
AUD/EUR	0.5556	-0.0005	-0.0016	-0.0031	-0.0062	TWD	17.93 18.39
AUD/GBP	0.4906	-0.0002	-0.0005	-0.0008	-0.0012	ZAR	10.7961 11.0786
USD Index	99.63						
EUR/USD	1.0931	0.0012	0.0034	0.0063	0.0122	<b>EQUITIES</b>	
USD/JPY	107.22	-0.14	-0.36	-0.66	-1.20		<b>Index</b>
GBP/USD	1.2377	0.0006	0.0016	0.0022	0.0028	NZX50	9,926
EUR/GBP	0.8831	0.0005	0.0016	0.0035	0.0078	ASX200	5,259
						Dow Jones	20,967
						S&P 500	2,477
						FTSE100	5,455
						DAX 30	9,545
						Nikkei	18,065
						<b>COMMODITIES</b>	
							<b>USD</b>
						Dubai Light	24.11
						Brent Crude	24.90
						Gold	1,591.60
						Silver	13.90
						CRB Index	125.84

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.37%	0.33%	0.33%	0.31%
90 day bank bills	0.51%	0.47%	0.34%	0.30%
FRA 90d in 3mths	0.52%	0.49%	0.28%	0.23%
FRA 180d in 6mths	0.53%	0.50%	0.34%	0.30%
1 year swap*	0.53%	0.50%	0.31%	0.30%
2 year swap*	0.54%	0.51%	0.34%	0.32%
3 year swap*	0.55%	0.52%	0.37%	0.36%
5 year swap*	0.62%	0.59%	0.55%	0.54%
10 year swap*	0.91%	0.87%	0.86%	0.86%
10 year Govt bond		1.31%		0.68%

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

SOURCE: Bloomberg

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