



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Monday 20 April 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6036	-0.0009
NZD/AUD	0.9489	-0.0016
NZD/JPY	64.92	-0.38
NZD/EUR	0.5552	-0.0034
NZD/GBP	0.4827	-0.0012
NZD/CNH	4.2738	0.0068
AUD/USD	0.6362	0.0001
AUD/EUR	0.5853	-0.0026
EUR/USD	1.0870	0.0050
USD/CNH	7.1227	0.0220
GBP/USD	1.2501	0.0012
EUR/GBP	0.8696	0.0032

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.39%	0.13%
2 year swap	0.35%	0.27%
10 year Govt	1.11%	0.86%

## China wobbles, but the outlook is positive

On Friday afternoon we had the release of the Chinese March quarter GDP and activity data. GDP was horrendous, a contraction of 6.8%, against a 6.0% expectation. This produced China's first negative quarter since 1992. Chinese YoY retail sales were equally as bad, falling -15.8%, against an expectation of 'only' a 10.0% fall, whereas, industrial production impressed to the topside by 'only' falling 1.1% against an expectation of a 6.2% fall.

The March activity data was more interesting, not only because it provides a more recent picture of the economy but

also because it showed a stark divergence between industrial production data and retail sales. Long story short, supply disruptions do not appear as bad as were initially thought, but demand disruption is deep. This is a recipe for deflation which, potentially, could be exported to the globe. The other thing to keep in mind is that China is 6-8 weeks ahead of the rest of the global in its virus response, and the data we got from China today will be repeated internationally in the months ahead.

Despite the large contraction in China's economy across the March quarter, activity started to pick up in the month of March and this improvement is expected to continue into April. China's focus is to kickstart demand by boosting effective investment which should translate into growth for the June quarter. Officials suggest that large scale layoffs haven't occurred in China and the employment situation remains steady. New Zealand and Australia's recovery from this downturn will be largely influenced on Chinese demand for their exports, as the two commodity countries look to export their way out of the recession. Currently, the low exchange rate across Australasia has made exports more attractive and demand from China seems to be steady.

## In other headlines

Singapore had a monster of a Trade number with March exports rising 17.6% YoY against an expected capitulation of 8.0%.

Interestingly, Reuters attributed the positive number to gold and pharma exports.

Over the weekend the ECB held talks with the EU's department for financial stability on the possibility of establishing a Eurozone 'bad bank' that would take billions of Euro's in debt off bank lenders balance sheets.

Meanwhile, in the US, the Trump administration and Congress are closing on a deal to increase the Paycheque Protection Programme ("PPP") with an additional USD300 billion to help small businesses keep workers on their payrolls.

Finally, the Fed's Williams was out with a few comments stating, "I'm optimistic but we've got some tough days ahead," although, "there is still lots of economic pain ahead."

In slightly positive news he added, "we have seen a significant improvement in liquidity and market function," but he warned, "(I) don't see economy back to full strength by year-end."

## This week

Once again, COVID-19 will be the headline maker for the week as well as US first-quarter earnings, with nearly 500 US companies reporting their results and providing updated full year guidance. Elsewhere, we have PMI surveys out from US, UK, Eurozone, Japan and Australia, and the Chinese Central bank is re-fixing their 1 year and 5 year Prime rates today, which are currently at 4.05% and 4.75%.

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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	68.73					CAD	0.8459 0.8915
NZD/USD	0.6036	-0.0002	-0.0005	-0.0009	-0.0017	CHF	0.5838 0.6153
NZD/AUD	0.9489	-0.0003	-0.0009	-0.0016	-0.0027	CNY	4.2662 4.4961
NZD/JPY	64.92	-0.05	-0.18	-0.38	-0.78	DKK	4.1423 4.3655
NZD/EUR	0.5552	-0.0006	-0.0017	-0.0034	-0.0068	FJD	1.3717 1.4456
NZD/GBP	0.4827	-0.0002	-0.0007	-0.0012	-0.0021	HKD	4.6782 4.9303
						KRW	733.72 773.28
AU TWI	56.30					MYR	2.6151 2.7560
AUD/USD	0.6362	0.0001	0.0001	0.0001	0.0001	NOK	6.2259 6.5615
AUD/NZD	1.0539	0.0004	0.0010	0.0018	0.0030	SEK	6.0334 6.3586
AUD/JPY	68.42	-0.03	-0.12	-0.28	-0.63	SGD	0.8580 0.9043
AUD/EUR	0.5853	-0.0005	-0.0012	-0.0026	-0.0055	TWD	18.14 19.12
AUD/GBP	0.5089	0.0000	-0.0002	-0.0004	-0.0007	ZAR	11.3576 11.9698
USD Index	99.78						
EUR/USD	1.0870	0.0009	0.0025	0.0050	0.0105	<b>EQUITIES</b>	
USD/JPY	107.54	-0.06	-0.21	-0.46	-1.00		<b>Index</b>
GBP/USD	1.2501	0.0002	0.0008	0.0012	0.0018	NZX50	10,779
EUR/GBP	0.8696	0.0006	0.0015	0.0032	0.0071	ASX200	5,488
						Dow Jones	24,242
						S&P 500	2,875
						FTSE100	5,787
						DAX 30	10,626
						Nikkei	19,897
						<b>COMMODITIES</b>	
							<b>USD</b>
						Dubai Light	24.60
						Brent Crude	28.08
						Gold	1,678.51
						Silver	15.12
						CRB Index	131.43

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.33%	0.29%	0.13%	0.11%
90 day bank bills	0.41%	0.37%	0.15%	0.11%
FRA 90d in 3mths	0.34%	0.30%	0.21%	0.16%
FRA 180d in 6mths	0.33%	0.30%	0.29%	0.25%
1 year swap*	0.37%	0.33%	0.21%	0.19%
2 year swap*	0.36%	0.34%	0.28%	0.25%
3 year swap*	0.40%	0.38%	0.32%	0.32%
5 year swap*	0.52%	0.50%	0.56%	0.54%
10 year swap*	0.92%	0.90%	0.96%	0.94%
10 year Govt bond		1.09%		0.86%

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

SOURCE: Bloomberg

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