



# MARKET ALERT

Tuesday 21 April 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6037	-0.0009
NZD/AUD	0.9526	-0.0015
NZD/JPY	65.06	-0.37
NZD/EUR	0.5560	-0.0033
NZD/GBP	0.4855	-0.0011
NZD/CNH	4.2819	0.0090
AUD/USD	0.6338	0.0001
AUD/EUR	0.5838	-0.0026
EUR/USD	1.0857	0.0049
USD/CNH	7.1227	0.0250
GBP/USD	1.2434	0.0011
EUR/GBP	0.8731	0.0032

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.38%	0.12%
2 year swap	0.33%	0.26%
10 year Govt	1.08%	0.84%

## Not in my lifetime

Well I never thought I'd ever see this; oil has plunged below zero for the first time ever.

Before we get too carried away, it should be mentioned that it is just the front, May, WTI futures contract that is due to expire tomorrow, but what it means is that sellers were actually paying buyers to take delivery off their hands. This ultimately highlights how much unused oil is sloshing around the system, and, that energy companies have run out of room to store it. Crude explorers shut down 13% of the American drilling fleet last week and while production

cuts are gaining pace, it isn't happening quickly enough to avoid storage filling to maximum levels.

To add further fuel oil to the fire, the son of the legendary Singaporean oil trader, Hin Leong, has bankrupted the company after he apparently hid USD800 million in trading losses on oil futures contracts. Hopefully he wasn't 'long' that May contract as it's now trading at -USD35.08.

Rather than just highlighting the sensationalistic headlines, it should be noted that the second contract, June, is still trading at a positive USD21.00.

Perhaps unsurprisingly, the oil headlines have weighed on US equities, which are broadly down 1-2%, after a mildly positive session in Europe. In amongst this, FX and treasury markets have been stable, with the NZD/USD currently trading at 0.6045.

## It's the final countdown

As New Zealand starts the process for loosening lockdown conditions, yesterday we saw the March quarter inflation data print at 0.8% quarter-on-quarter, much higher than the expected 0.4%.

On a year-on-year basis the numbers were equally impressive, at 2.5% against an expected 2.1%. While this may highlight there were inflationary pressures in the pipeline, as the data was predominately prior to the lock down, it was largely ignored. Interestingly, the

RBNZ's preferred measure of core inflation, it's 'Sectoral Factor Model Inflation Gauge' came in at 1.7% year-on-year for the March quarter, down from the December quarter's 1.8%.

In amongst this, Goldman Sachs have come out with a sell NZD/AUD recommendation targeting 0.8800 with a 0.9700 stop loss. Their main rationale is that Australia has a stronger external balance, a lower exposure to tourism, larger fiscal spending, and better prospects to benefit from Chinese stimulus. Also, interest rate differentials could come into play after the RBNZ signalled that negative rates are a possibility while the RBA has stated it has "no appetite" for negative rates.

Meanwhile, RBA Governor, Philip Lowe, is unconcerned about the Australian deficit, stating "it's the right thing to do ... we have the capacity to borrow, our interest rates are as low as they've ever been, the Australian Government has a long record of responsible fiscal policy, so the budget accounts are in reasonable shape. And if ever there's a time to borrow, now is it."

Lastly, from China, the PBOC cut their benchmark 1 and 5 year 'loan prime' rates to 3.85% (from 4.05%) and 4.65% (from 4.75%). This was the PBOC's second cut to lending rates this year, which officials stated could help lower the financing burden for businesses, particularly for small companies, while the 5-year rate is especially important to the property sector in China.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# DAILY RATES

Tuesday 21 April 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	68.87					CAD	0.8529 0.8953
NZD/USD	0.6037	-0.0002	-0.0004	-0.0009	-0.0016	CHF	0.5847 0.6138
NZD/AUD	0.9526	-0.0003	-0.0008	-0.0015	-0.0026	CNY	4.2700 4.4827
NZD/JPY	65.06	-0.05	-0.18	-0.37	-0.78	DKK	4.1466 4.3531
NZD/EUR	0.5560	-0.0005	-0.0017	-0.0033	-0.0067	FJD	1.3648 1.4328
NZD/GBP	0.4855	-0.0002	-0.0007	-0.0011	-0.0020	HKD	4.6789 4.9120
						KRW	736.95 773.67
AU TWI	56.20					MYR	2.6546 2.7868
AUD/USD	0.6338	0.0000	0.0001	0.0001	0.0000	NOK	6.3039 6.6179
AUD/NZD	1.0498	0.0003	0.0009	0.0016	0.0028	SEK	6.0586 6.3604
AUD/JPY	68.30	-0.03	-0.13	-0.29	-0.63	SGD	0.8577 0.9004
AUD/EUR	0.5838	-0.0004	-0.0012	-0.0026	-0.0055	TWD	18.14 19.04
AUD/GBP	0.5097	-0.0001	-0.0002	-0.0004	-0.0008	ZAR	11.3898 11.9572
USD Index	99.97						
EUR/USD	1.0857	0.0008	0.0024	0.0049	0.0103	<b>EQUITIES</b>	
USD/JPY	107.78	-0.06	-0.22	-0.47	-1.00		<b>Index</b>
GBP/USD	1.2434	0.0002	0.0007	0.0011	0.0019	NZX50	10,763
EUR/GBP	0.8731	0.0004	0.0014	0.0032	0.0070	ASX200	5,353
						Dow Jones	23,650
						S&P 500	2,830
						FTSE100	5,813
						DAX 30	10,676
						Nikkei	19,669
						<b>COMMODITIES</b>	
							<b>USD</b>
						Dubai Light	24.31
						Brent Crude	26.22
						Gold	1,694.81
						Silver	15.28
						CRB Index	126.09

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.33%	0.29%	0.12%	0.10%
90 day bank bills	0.40%	0.36%	0.14%	0.10%
FRA 90d in 3mths	0.35%	0.27%	0.20%	0.15%
FRA 180d in 6mths	0.33%	0.30%	0.29%	0.25%
1 year swap*	0.34%	0.32%	0.20%	0.18%
2 year swap*	0.34%	0.32%	0.27%	0.24%
3 year swap*	0.37%	0.35%	0.33%	0.32%
5 year swap*	0.49%	0.47%	0.53%	0.52%
10 year swap*	0.88%	0.85%	0.92%	0.90%
10 year Govt bond		1.05%		0.84%

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

SOURCE: Bloomberg

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.