



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Wednesday 22 April 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.5978	-0.0009
NZD/AUD	0.9500	-0.0016
NZD/JPY	64.41	-0.36
NZD/EUR	0.5504	-0.0033
NZD/GBP	0.4859	-0.0012
NZD/CNH	4.2463	0.0087
AUD/USD	0.6293	0.0001
AUD/EUR	0.5794	-0.0025
EUR/USD	1.0861	0.0048
USD/CNH	7.1227	0.0253
GBP/USD	1.2304	0.0011
EUR/GBP	0.8827	0.0032

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.35%	0.12%
2 year swap	0.34%	0.26%
10 year Govt	1.08%	0.86%

Trump is writing cheques for fun

President Trump continues to run up fiscal debt at unprecedented levels, with another half a trillion to support small businesses.

The deal provides USD321 billion for a small business lending program, USD60 billion for a separate emergency disaster loan program, also for small businesses, as well as USD75 billion for hospitals and USD25 billion for national COVID-19 testing.

Oil futures markets had another day in the red as the June futures contract for WTI Crude fell below USD10 before

recovering and hovering around USD12 at the time of writing. The negative trading of the May contract has spooked oil traders with the curve 5%-15% lower.

President Donald Trump has plans; tweeting, *“we will never let the U.S Oil and Gas industry down”* while his administration works on a support plan for the industry to prevent job losses, or votes, but 51,000 drilling and refining jobs were expected to be lost in March.

In other headline news, the Mexican central bank, Banxico, cuts rates by 50 basis points to 6.00% in an unscheduled move and a study of the US drug hydroxychloroquine, unfortunately, shows no benefit against COVID-19. This was one of the ‘wonder’ drugs that a certain Mr Trump had supported.

Without understating it too much, everything is off a bit! Equities are lower across Europe by 3-4%, and in the US at 2-3%, while the NZD and AUD have also eased a touch to 0.5975 and 0.6300. Gold and US treasuries have also eased with the 10 year bond yielding 0.58%.

And, in news just out, the ECB will have a conference call tomorrow, and it’s speculated that they will discuss utilising junk bonds as collateral.

Yesterday, was all about Australasia

RBA April minutes from their 7 April meeting highlighted that it was likely that smaller, less frequent purchases of

government bonds would be required going forward, mirroring the price activity we have seen from the RBA recently. Other headlines from the meeting included that rates will stay low for a very long period of time, wage pressures will continue to slow, and, it will be a couple of years before Australia returns to their previous growth levels. Finally, the RBA does not see deflation risks in the medium-term.

On this side of the Tasman, Finance Minister, Grant Robertson, was on the news wires mirroring RBA Governor Philip Lowe’s comments from the previous day, stating, *“the economy was in (a) strong position before the crisis and is well placed to recover, certainly relative to peers such as Australia,”* and, *“(the) biggest risk for small businesses is the ‘yo-yo’ effect of having to go back into tighter restrictions.”*

And, like the deadly duo that they are, Grant Robertson’s trusty sidekick, Governor Adrian Orr, added he hadn’t ruled out negative rates, but said QE is more effective than negative rates for dealing with the virus shock, and, he is open minded on the direct monetisation of government debt. That last comment, while understated, saw the NZD weaken.

Finally, if anyone can afford a house, the RBNZ is proposing to remove the Loan to Value Ratio lending restrictions on the banks.

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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	68.43					CAD	0.8485 0.8931
NZD/USD	0.5978	-0.0001	-0.0005	-0.0009	-0.0017	CHF	0.5794 0.6099
NZD/AUD	0.9500	-0.0003	-0.0009	-0.0016	-0.0029	CNY	4.2392 4.4623
NZD/JPY	64.41	-0.05	-0.18	-0.36	-0.77	DKK	4.1045 4.3205
NZD/EUR	0.5504	-0.0006	-0.0016	-0.0033	-0.0066	FJD	1.3527 1.4239
NZD/GBP	0.4859	-0.0002	-0.0007	-0.0012	-0.0021	HKD	4.6325 4.8763
						KRW	736.88 775.66
AU TWI	56.00					MYR	2.6265 2.7647
AUD/USD	0.6293	0.0001	0.0001	0.0001	0.0001	NOK	6.3535 6.6878
AUD/NZD	1.0526	0.0003	0.0010	0.0017	0.0032	SEK	6.0341 6.3517
AUD/JPY	67.80	-0.03	-0.12	-0.27	-0.61	SGD	0.8558 0.9008
AUD/EUR	0.5794	-0.0004	-0.0012	-0.0025	-0.0052	TWD	17.99 18.94
AUD/GBP	0.5114	-0.0001	-0.0002	-0.0004	-0.0007	ZAR	11.3350 11.9316
USD Index	100.17						
EUR/USD	1.0861	0.0008	0.0024	0.0048	0.0099	EQUITIES	
USD/JPY	107.76	-0.06	-0.21	-0.45	-0.97	Index	
GBP/USD	1.2304	0.0002	0.0008	0.0011	0.0018	NZX50	10,536
EUR/GBP	0.8827	0.0005	0.0014	0.0032	0.0068	ASX200	5,221
						Dow Jones	23,019
						S&P 500	2,736
						FTSE100	5,641
						DAX 30	10,250
						Nikkei	19,281
						COMMODITIES	
						USD	
						Dubai Light	15.83
						Brent Crude	19.84
						Gold	1,683.26
						Silver	14.85
						CRB Index	112.85

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.34%	0.30%	0.13%	0.11%
90 day bank bills	0.37%	0.33%	0.14%	0.10%
FRA 90d in 3mths	0.34%	0.31%	0.22%	0.17%
FRA 180d in 6mths	0.34%	0.31%	0.30%	0.26%
1 year swap*	0.34%	0.32%	0.22%	0.19%
2 year swap*	0.35%	0.33%	0.27%	0.25%
3 year swap*	0.38%	0.36%	0.32%	0.31%
5 year swap*	0.50%	0.48%	0.53%	0.52%
10 year swap*	0.90%	0.87%	0.90%	0.88%
10 year Govt bond		1.06%		0.86%

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

SOURCE: Bloomberg

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