



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Thursday 23 April 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.5952	-0.0009
NZD/AUD	0.9417	-0.0015
NZD/JPY	64.12	-0.34
NZD/EUR	0.5503	-0.0032
NZD/GBP	0.4831	-0.0011
NZD/CNH	4.2274	0.0093
AUD/USD	0.6321	0.0001
AUD/EUR	0.5843	-0.0024
EUR/USD	1.0817	0.0047
USD/CNH	7.1227	0.0264
GBP/USD	1.2320	0.0011
EUR/GBP	0.8780	0.0031

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.33%	0.12%
2 year swap	0.34%	0.25%
10 year Govt	1.07%	0.84%

## That's one way of doing it

We know that wars are good for supporting the price of oil, and we all know that President Trump wants to support the oil and gas industry, and he certainly managed to achieve that by tweeting he has instructed the US Navy to, "shoot down and destroy any and all Iranian gunboats if they harass US ships at sea." This, unsurprisingly, saw oil prices spike with the headline WTI June contract rallying 20% to USD14.00.

This rebound in oil prices and growing optimism around the economy recovering sooner than expected rippled a wave of hope through global markets.

US equities rallied while the US 10 year Treasury Bond yield ticked up above 0.60%, gold rallied, and the USD Index held its strength above 100. The NZD had a nudge down while the AUD held its ground, causing the NZD/AUD to fall to 0.9415 at the time of writing, but don't let these equity markets of doom concern you, because in New Zealand dollar terms, we're doing okay internationally. Take the S&P500, in NZD terms it is down just 2% year-to-date, while the NASDAQ is actually up 7%!

## ECB to the rescue ... sort of

The ECB, after much talking and debating, have stated it will, "grandfather until September 2021 eligibility of marketable assets used as collateral in (the) euro system credit operations falling below current minimum credit quality requirements." While that is a very impressive statement, what it ultimately means is that the ECB will accept some forms of junk bonds as collateral. Very simply, the ECB are taking these steps to mitigate the impact of a possible ratings downgrade on Italian debt.

The European Commission is also stepping up to the plate, floating a EUR2 trillion plan for economic recovery ahead of talks on Thursday. These talks come amid expectations that euro-zone output could contract by as much as 10% this year. As the losses mount, the wealthier northern EU

members have been resisting pressure for new financing structures to help reconstruction in the southern countries hardest hit by the virus. Under the draft plan, the EU would integrate a EUR300 billion recovery fund into the 2021-2027 budget and borrow EUR320 billion via the capital markets.

In a new initiative, Australia announced they will establish a strategic fuel reserve, initially with an AUD94 million injection. Given where oil prices are, this makes a lot of sense, although they don't actually have anywhere to store the oil. Not to be outwitted, they are liaising with industry players on establishing a local storage facility, although initially the storage will be in the US.

Finally, in New Zealand yesterday, we had some provisional trade figures released covering 1 Feb to 15 April. While the headline numbers were pretty poor, with exports falling 5.1% and imports down 7.8% year-on-year, the numbers with China were horrific as exports fell 14% and imports dropped 16%. Comfort can be taken though as this period covered the Chinese New Year and the COVID-19 lockdown. With the Chinese economy now recovering, we can expect these numbers to improve in the coming months.

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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	68.05					<b>CAD</b> 0.8442	0.8964
NZD/USD	0.5952	-0.0002	-0.0005	-0.0009	-0.0017	<b>CHF</b> 0.5787	0.6145
NZD/AUD	0.9417	-0.0003	-0.0009	-0.0015	-0.0028	<b>CNY</b> 4.2166	4.4776
NZD/JPY	64.12	-0.05	-0.16	-0.34	-0.73	<b>DKK</b> 4.1036	4.3577
NZD/EUR	0.5503	-0.0005	-0.0016	-0.0032	-0.0065	<b>FJD</b> 1.3527	1.4365
NZD/GBP	0.4831	-0.0002	-0.0006	-0.0011	-0.0020	<b>HKD</b> 4.6132	4.8988
						<b>KRW</b> 734.83	780.33
AU TWI	56.10					<b>MYR</b> 2.6210	2.7833
AUD/USD	0.6321	0.0001	0.0001	0.0001	0.0000	<b>NOK</b> 6.4134	6.8104
AUD/NZD	1.0619	0.0004	0.0010	0.0017	0.0031	<b>SEK</b> 6.0144	6.3867
AUD/JPY	68.09	-0.03	-0.11	-0.25	-0.58	<b>SGD</b> 0.8502	0.9028
AUD/EUR	0.5843	-0.0004	-0.0012	-0.0024	-0.0052	<b>TWD</b> 17.90	19.00
AUD/GBP	0.5130	0.0000	-0.0002	-0.0004	-0.0007	<b>ZAR</b> 11.3209	12.0217
USD Index	100.38						
EUR/USD	1.0817	0.0008	0.0023	0.0047	0.0098	<b>EQUITIES</b>	
USD/JPY	107.73	-0.05	-0.19	-0.41	-0.92		<b>Index</b>
GBP/USD	1.2320	0.0002	0.0007	0.0011	0.0017	<b>NZX50</b>	10,418
EUR/GBP	0.8780	0.0005	0.0014	0.0031	0.0067	<b>ASX200</b>	5,221
						<b>Dow Jones</b>	23,505
						<b>S&amp;P 500</b>	2,809
						<b>FTSE100</b>	5,771
						<b>DAX 30</b>	10,415
						<b>Nikkei</b>	19,138
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	14.87
						<b>Brent Crude</b>	20.74
						<b>Gold</b>	1,715.96
						<b>Silver</b>	15.07
						<b>CRB Index</b>	117.97

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.32%	0.28%	0.12%	0.10%
90 day bank bills	0.35%	0.31%	0.14%	0.10%
FRA 90d in 3mths	0.35%	0.30%	0.21%	0.16%
FRA 180d in 6mths	0.34%	0.31%	0.30%	0.26%
1 year swap*	0.35%	0.31%	0.21%	0.18%
2 year swap*	0.36%	0.33%	0.26%	0.25%
3 year swap*	0.39%	0.36%	0.33%	0.32%
5 year swap*	0.50%	0.47%	0.55%	0.53%
10 year swap*	0.88%	0.86%	0.95%	0.93%
10 year Govt bond		1.04%		0.84%

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

SOURCE: Bloomberg

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