



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 24 April 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6010	-0.0009
NZD/AUD	0.9432	-0.0015
NZD/JPY	64.66	-0.33
NZD/EUR	0.5577	-0.0032
NZD/GBP	0.4866	-0.0011
NZD/CNH	4.2624	0.0112
AUD/USD	0.6373	0.0001
AUD/EUR	0.5913	-0.0025
EUR/USD	1.0777	0.0047
USD/CNH	7.1227	0.0291
GBP/USD	1.2352	0.0010
EUR/GBP	0.8725	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.33%	0.12%
2 year swap	0.33%	0.26%
10 year Govt	1.09%	0.88%

Initial claims ... spanked again

Unsurprisingly, the number of Americans filing for unemployment continues to increase, with another 4.427 million initial claims this week. This brings the total reported over the past 5 weeks to 26.453 million, the equivalent of 16% of the workforce. The total jobs created in the employment boom from September 2010 until January 2020 was 22 million, and all these jobs, and more, have been eradicated in the last 5 weeks.

The PMI numbers didn't paint a pretty picture either highlighting further contraction in the US economy, with the

composite number for April decreasing to 27.4 from the prior month's 40.9. Both sectors were substantially lower than the previous month, as manufacturing fell to 36.9 verse 48.5, and services were down to 27.0 from 39.8 (50 is neutral).

Overnight, the markets whipsawed in a volatile session after the Gilead Sciences antiviral drug, remdesivir, flopped in its first clinical trial. It's interesting to note that investors are currently looking beyond the bad data prints, and even the poor performance of a 'saviour' drug in the battle against COVID-19, as they look through 2020 and towards 2021 when the world, hopefully, will be in a better place.

In fact, even oil was up, as tensions continued to increase between the US and Iran. Buzz Lightyear, sorry, US Space Command, is tracking two objects in orbit that were launched from within Iran, according to officials. One is a rocket body and the other is assessed to be the satellite. If this is correct it highlights that Iran's space program utilizes the same technology that would be needed to launch an intercontinental ballistic missile.

It's been a choppy day for bonds and equities as they erase their gains from earlier in the period. Meanwhile it's an old-fashioned risk on trade in the FX market as the NZD and AUD rally despite a flat USD. NZD/USD breaks above the 0.6000 trading around 0.6020 and the AUD/USD hovers at the 0.6380 mark.

Global PMIs paint a depressing story

Globally, PMI readings were poor across the board. Eurozone PMIs reached new lows with the composite index falling to 13.5 versus 25.0 expected. This was driven predominately by weakness in the services sector, down to 11.7 from 26.4, while manufacturing also slumped to 33.6 from 44.5, far worse than market expectations. This, combined with no agreements on the EU leaders talk, put downward pressure on the EUR.

Yesterday, the Australia PMIs painted a similar story with the headline down to 22.4 from last month's 39.4. Interestingly, Australian manufacturing held up quite well at 45.6 (prior 49.7) but the services sector felt real pain at 19.6 (from 38.5). The COVID-19 outbreak led to new orders falling at a steep pace, with employment scaled back markedly as a result.

In a similar vein, Japanese PMI for manufacturing printed at 43.7 (prior 44.8), while services were 22.8 (33.8). Speaking of Japan, with the BOJ meeting next week, leaked reports to the Japanese media have indicated that the BOJ is considering further, more negative, easing. The current benchmark BOJ rate is -0.10%.

All up, the global PMI prints paint a depressingly similar story... weakness with the services sector hit particularly hard.

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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	68.57					CAD	0.8457 0.8967
NZD/USD	0.6010	-0.0001	-0.0004	-0.0009	-0.0017	CHF	0.5868 0.6221
NZD/AUD	0.9432	-0.0003	-0.0009	-0.0015	-0.0027	CNY	4.2474 4.5034
NZD/JPY	64.66	-0.05	-0.16	-0.33	-0.71	DKK	4.1589 4.4095
NZD/EUR	0.5577	-0.0005	-0.0016	-0.0032	-0.0066	FJD	1.3657 1.4480
NZD/GBP	0.4866	-0.0002	-0.0006	-0.0011	-0.0020	HKD	4.6584 4.9392
						KRW	741.34 786.03
AU TWI	56.20					MYR	2.6030 2.7598
AUD/USD	0.6373	0.0001	0.0001	0.0001	0.0000	NOK	6.3903 6.7754
AUD/NZD	1.0603	0.0003	0.0010	0.0017	0.0030	SEK	6.0493 6.4139
AUD/JPY	68.56	-0.03	-0.11	-0.24	-0.56	SGD	0.8561 0.9076
AUD/EUR	0.5913	-0.0003	-0.0012	-0.0025	-0.0053	TWD	18.07 19.16
AUD/GBP	0.5159	0.0000	-0.0002	-0.0003	-0.0007	ZAR	11.4925 12.1852
USD Index	100.45						
EUR/USD	1.0777	0.0007	0.0023	0.0047	0.0098	EQUITIES	
USD/JPY	107.59	-0.05	-0.19	-0.40	-0.87		Index
GBP/USD	1.2352	0.0002	0.0006	0.0010	0.0017	NZX50	10,446
EUR/GBP	0.8725	0.0005	0.0014	0.0030	0.0067	ASX200	5,217
						Dow Jones	23,515
						S&P 500	2,809
						FTSE100	5,827
						DAX 30	10,514
						Nikkei	19,429
						COMMODITIES	
							USD
						Dubai Light	20.31
						Brent Crude	21.71
						Gold	1,732.78
						Silver	15.24
						CRB Index	120.49

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.32%	0.29%	0.12%	0.10%
90 day bank bills	0.35%	0.32%	0.14%	0.10%
FRA 90d in 3mths	0.33%	0.30%	0.20%	0.15%
FRA 180d in 6mths	0.33%	0.30%	0.30%	0.26%
1 year swap*	0.33%	0.30%	0.20%	0.19%
2 year swap*	0.35%	0.32%	0.27%	0.25%
3 year swap*	0.38%	0.35%	0.33%	0.32%
5 year swap*	0.50%	0.47%	0.55%	0.52%
10 year swap*	0.88%	0.86%	0.95%	0.93%
10 year Govt bond		1.07%		0.88%

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

SOURCE: Bloomberg

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