



MARKET ALERT

Tuesday 28 April 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6053	-0.0008
NZD/AUD	0.9366	-0.0014
NZD/JPY	64.93	-0.33
NZD/EUR	0.5590	-0.0032
NZD/GBP	0.4872	-0.0011
NZD/CNH	4.2929	0.0138
AUD/USD	0.6463	0.0001
AUD/EUR	0.5969	-0.0025
EUR/USD	1.0828	0.0047
USD/CNH	7.1227	0.0322
GBP/USD	1.2424	0.0011
EUR/GBP	0.8715	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.31%	0.11%
2 year swap	0.29%	0.25%
10 year Govt	1.01%	0.91%

BoJ and EU step up ... yet again

As the total number of COVID-19 infections tops 3 million, equity markets extended gains amid signs of a slowdown in the spread of the coronavirus, and as policy makers in Japan and Europe sought to reduce pressure on credit markets.

The Bank of Japan (BoJ) took its lead from other central banks in announcing it would ‘promise to buy as many government bonds as needed’ and that it would more than double its buying of corporate bonds. The BoJ’s central bank Governor Kuroda was quick to add

that “if you look at what we’re doing from the size of our balance sheet against GDP, to our measures (in) the commercial paper and corporate bond markets, the scale of the Bank of Japan’s easing is far larger than any other central bank.” In saying that, he was quick to acknowledge that achieving 2% inflation would not be a part of his legacy after a decade at the helm of the BoJ.

Interestingly, murmurings within the financial markets suggest that central banks may scrap inflation targeting as central bank governors look to reshuffle their priorities amid the pandemic. To be fair, this is something our Governor, Adrian Orr, has been espousing since he took the reins at the RBNZ, attempting to expand its doctrine to incorporate a more social economic impact.

The EU is once again attempting to support their banks with further stimulus, with a fourth round of capital relief planned from regulators. While the exact details haven’t been released yet, it has been leaked that the European Commission plans to further reduce EU banks leverage ratio, a measurement of their capital as a share of assets.

While the leverage ratio will only become a binding constraint next year, EU banks are already reporting the metric so a further easing will be supportive.

The current leverage target varies for individual banks but is broadly around the 4.5% mark. Regulators may also

allow banks more time to implement accounting requirements that forces them to set aside money for poor performing loans upfront.

Market risk sentiment improves

Generally, the central bank measures have been viewed as supportive, with equity markets closing in on their highest close since early March, despite WTI oil falling 25%.

This week will be a huge week for US earnings announcements, which could see a bit of a rollercoaster as the market assess the real effects on individual bottom lines due to COVID-19.

US treasury yields are up, with the US 10-year at 0.66%, and the USD weakened although it is still trading above 100; the NZD edged higher and holds around the 0.6050 mark, while the AUD was the best performing currency against the USD as it rallied 1.50% to around 0.6460.

This has seen the NZD/AUD fall below 0.9400, sitting around 0.9360 at the time of writing.

A last-minute headline just out, Westpac Bank believes the RBNZ will cut the OCR to -0.50% by late 2020.

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DAILY RATES

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FX	Spot Mid	FECs (mid)				Spot Mid		
		1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	68.79					CAD	0.8499	0.9074
NZD/USD	0.6053	-0.0001	-0.0004	-0.0008	-0.0016	CHF	0.5905	0.6305
NZD/AUD	0.9366	-0.0003	-0.0008	-0.0014	-0.0025	CNY	4.2892	4.5795
NZD/JPY	64.93	-0.04	-0.16	-0.33	-0.71	DKK	4.1684	4.4505
NZD/EUR	0.5590	-0.0005	-0.0015	-0.0032	-0.0066	FJD	1.3685	1.4611
NZD/GBP	0.4872	-0.0002	-0.0006	-0.0011	-0.0020	HKD	4.6909	5.0084
						KRW	740.01	790.10
AU TWI	57.20					MYR	2.6410	2.8198
AUD/USD	0.6463	0.0001	0.0001	0.0001	0.0001	NOK	6.3669	6.7979
AUD/NZD	1.0677	0.0003	0.0009	0.0016	0.0029	SEK	6.0569	6.4668
AUD/JPY	69.33	-0.03	-0.11	-0.25	-0.57	SGD	0.8591	0.9173
AUD/EUR	0.5969	-0.0003	-0.0012	-0.0025	-0.0054	TWD	18.17	19.40
AUD/GBP	0.5202	0.0000	-0.0002	-0.0004	-0.0007	ZAR	11.3629	12.1321
USD Index	100.03							
EUR/USD	1.0828	0.0007	0.0023	0.0047	0.0100			
USD/JPY	107.29	-0.05	-0.19	-0.40	-0.89			
GBP/USD	1.2424	0.0002	0.0007	0.0011	0.0018			
EUR/GBP	0.8715	0.0004	0.0014	0.0030	0.0068			

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.30%	0.26%	0.12%	0.10%
90 day bank bills	0.33%	0.29%	0.13%	0.09%
FRA 90d in 3mths	0.31%	0.23%	0.20%	0.15%
FRA 180d in 6mths	0.30%	0.27%	0.29%	0.25%
1 year swap*	0.32%	0.25%	0.19%	0.18%
2 year swap*	0.30%	0.28%	0.26%	0.24%
3 year swap*	0.34%	0.32%	0.32%	0.31%
5 year swap*	0.47%	0.44%	0.57%	0.55%
10 year swap*	0.87%	0.84%	1.02%	1.00%
10 year Govt bond		0.98%		0.91%

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

EQUITIES	
	Index
NZX50	10,419
ASX200	5,321
Dow Jones	24,134
S&P 500	2,885
FTSE100	5,847
DAX 30	10,660
Nikkei	19,783

COMMODITIES	
	USD
Dubai Light	19.61
Brent Crude	20.08
Gold	1,716.47
Silver	15.21
CRB Index	114.67

SOURCE: Bloomberg

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