



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Wednesday 29 April 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6063	-0.0007
NZD/AUD	0.9327	-0.0012
NZD/JPY	64.79	-0.32
NZD/EUR	0.5595	-0.0030
NZD/GBP	0.4876	-0.0010
NZD/CNH	4.2942	0.0115
AUD/USD	0.6500	0.0001
AUD/EUR	0.5998	-0.0024
EUR/USD	1.0836	0.0046
USD/CNH	7.1227	0.0273
GBP/USD	1.2433	0.0010
EUR/GBP	0.8716	0.0030
INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.26%	0.11%
2 year swap	0.18%	0.24%
10 year Govt	0.90%	0.93%

Greater deficits ...

The Federal Reserve has expanded the scope and duration of its Municipal Liquidity Facility to cover counties with smaller populations, while increasing the duration of eligible securities to 3 years from 2 years. This will allow “substantially more” entities to borrow directly from the Fed.

If that wasn’t enough, White House economic advisor, Kevin Hassett, stated “the US economy will not see a V-shaped recovery without another stimulus bill.” Which saw Nancy Pelosi add that lawmakers are considering a further USD400-500 billion for state and municipal governments. Really, it begs

the question ... how big will the US fiscal deficit become at the end of the year?

Speaking of Government moves, President Trump will order US meat plants to remain open by signing an executive order under the Defense Production Act. While the US has had issues with processing workers contracting COVID-19 at plants, and most of the large meat companies have closed, this order will ultimately provide companies with liability protection against their workers suing them for unsafe working conditions.

But, the data supports President Trump’s case, as highlighted by the Richmond Fed manufacturing index which printed at -53 versus an expected -41. Last month it had printed at +2! The US Trade balance didn’t make for better reading either, showing a -USD64.2 billion net balance against an expected -USD55.0 billion.

In China, a report written by three analysts from Zhongtai Securities, has put COVID-19 related Chinese job losses at over 70 million people. If correct, this would put the actual Chinese unemployment rate around 20.5%. This compares with the latest official jobless rate of 5.9%. Strangely, there is only going to be one winner in this discussion!

Ultimately, it has been a mixed night with European equities up 1-2% while US equities are flat. The NZD/USD

continues to consolidate at 0.6060 while the AUD/USD is enjoying its recent strength as it cements itself in a new higher range at 0.6500. These movements saw the NZD/AUD hit a low of 0.9301 overnight. It is currently trading at 0.9325.

... and lower rates

The US 10-year treasury yield is off a touch at 0.60% but the real story in fixed income markets has been the sell-off in NZ absolute levels as the talk of negative rates finally weighs on the markets. This saw bond yields and swap rates fall to new lows, off 7-10 basis points as the curve steepened. To highlight this move, the 10 year swap last traded at 0.805%, and will probably trade in the 0.70%’s today. It is interesting to note that when the RBNZ Governor mentioned negative rates, it was ignored, but when an economist mentions it ...

And to expand upon yesterday’s last-minute note, one of the local banks announced they expect the RBNZ will cut the OCR to -0.50% in November. In their opinion, the huge drop in economic growth requires further monetary and fiscal stimulus which will see the RBNZ double its QE program to NZD60 billion with the government announcing a further NZD15 billion in stimulus.

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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	68.77					CAD	0.8476 0.9087
NZD/USD	0.6063	-0.0001	-0.0003	-0.0007	-0.0013	CHF	0.5905 0.6331
NZD/AUD	0.9327	-0.0003	-0.0007	-0.0012	-0.0021	CNY	4.2920 4.6016
NZD/JPY	64.79	-0.04	-0.15	-0.32	-0.69	DKK	4.1716 4.4726
NZD/EUR	0.5595	-0.0004	-0.0015	-0.0030	-0.0063	FJD	1.3643 1.4627
NZD/GBP	0.4876	-0.0002	-0.0005	-0.0010	-0.0017	HKD	4.6985 5.0375
						KRW	740.41 793.84
AU TWI	57.20					MYR	2.6346 2.8247
AUD/USD	0.6500	0.0001	0.0001	0.0001	0.0001	NOK	6.2986 6.7530
AUD/NZD	1.0722	0.0003	0.0008	0.0014	0.0024	SEK	5.9924 6.4247
AUD/JPY	69.46	-0.03	-0.11	-0.25	-0.58	SGD	0.8587 0.9206
AUD/EUR	0.5998	-0.0003	-0.0011	-0.0024	-0.0054	TWD	18.19 19.50
AUD/GBP	0.5228	0.0000	-0.0001	-0.0003	-0.0007	ZAR	11.3118 12.1280
USD Index	99.86						
EUR/USD	1.0836	0.0006	0.0023	0.0046	0.0099	EQUITIES	
USD/JPY	106.88	-0.05	-0.19	-0.40	-0.91		Index
GBP/USD	1.2433	0.0002	0.0006	0.0010	0.0017	NZX50	10,760
EUR/GBP	0.8716	0.0004	0.0014	0.0030	0.0068	ASX200	5,313
						Dow Jones	24,173
						S&P 500	2,881
						FTSE100	5,959
						DAX 30	10,796
						Nikkei	19,771
						COMMODITIES	
							USD
						Dubai Light	20.06
						Brent Crude	20.54
						Gold	1,706.54
						Silver	15.08
						CRB Index	114.89

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.30%	0.27%	0.11%	0.09%
90 day bank bills	0.29%	0.26%	0.13%	0.09%
FRA 90d in 3mths	0.22%	0.19%	0.20%	0.15%
FRA 180d in 6mths	0.17%	0.14%	0.29%	0.25%
1 year swap*	0.21%	0.18%	0.19%	0.18%
2 year swap*	0.19%	0.16%	0.25%	0.23%
3 year swap*	0.24%	0.21%	0.32%	0.30%
5 year swap*	0.39%	0.36%	0.54%	0.53%
10 year swap*	0.82%	0.79%	0.98%	0.97%
10 year Govt bond		0.88%		0.93%

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

SOURCE: Bloomberg

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