



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 3 April 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.5909	-0.0011
NZD/AUD	0.9778	-0.0020
NZD/JPY	63.73	-0.46
NZD/EUR	0.5447	-0.0037
NZD/GBP	0.4767	-0.0015
NZD/CNH	4.1943	0.0048
AUD/USD	0.6044	0.0001
AUD/EUR	0.5570	-0.0027
EUR/USD	1.0850	0.0055
USD/CNH	7.1227	0.0211
GBP/USD	1.2396	0.0017
EUR/GBP	0.8752	0.0033
INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.50%	0.28%
2 year swap	0.51%	0.31%
10 year Govt	1.36%	0.77%

One tweet and the world is a better place

Trump tweeted *“just spoke to my friend MBS (Crown Prince) of Saudi Arabia, who spoke with President Putin of Russia, and I expect and hope that they will be cutting back approximately 10 million Barrels.”* Now, he didn’t say it was 10 million barrels per day, although that’s how the market took it!

To be fair, Saudi Arabia immediately released a statement saying they are willing to, *“consider massive oil supply curbs as long as other nations join the effort,”* and that they are seeking an emergency meeting of OPEC and other producers.

While Saudi Arabia are considering production cuts to below 9 million barrels per day, there is a caveat — they want other nations, including the US, Canada and Mexico, to curb their production as well.

Jobless claims shock

And this is good news, but did anyone notice the initial claims numbers? This week the number of Americans applying for unemployment was 6.628 million, following on from last weeks (upgraded) 3.31 million. Yes, you read that correctly — almost 10 million people have ‘signed-on’ in the last two weeks. This implies that the US unemployment rate has jumped an incredible 6.2% just in the last 2-weeks! But forget that — the price of oil is up, so the world is a good place again (maybe?). US equities have been on a roller-coaster, down on the unemployment numbers, up on the oil story, and are now flat on the day.

Interestingly, the USD 3 month LIBOR dropped after the Fed announced that for one-year, US banks are no longer required to include treasuries for reserves within their basket of assets for capital. This should reduce pressure on short-end cash rates by adding liquidity to the market.

In addition to this, the Fed has been attempting to shore up liquidity by easing the supplementary leverage ratio for

‘Big Banks’ as way of curbing banks’ risk taking. It will be in place for one year and it is hoped the spare capacity will free up lenders’ ability to serve homeowners and businesses rather than to increase share buybacks and dividends to shareholders.

Orr is re-writing the Central Bank play book

The RBNZ is once again re-writing new and innovative ways to support the domestic economy through the COVID-19 outbreak with the introduction of a new Term Lending Facility (“TLF”). The TLF is a new longer-term funding scheme that will support the Government’s Business Finance Guarantee Scheme by promoting lending to businesses for up to three years. The TLF is similar to the recently announced, Term Auction Facility (“TAF”), with both providing liquidity to the banking system. The RBNZ also announced restrictions on the domestic banks from paying dividends on ordinary shares and is also preventing them from redeeming bond issues. To add further pain to the Australian owned banks, Moody’s lowered their outlook to negative from stable.

After all that, the NZD/USD is down a touch at 0.5900 and the AUD/USD is down a touch more at 0.6035.

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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	68.23					CAD	0.8389	0.8579
NZD/USD	0.5909	-0.0002	-0.0005	-0.0011	-0.0021	CHF	0.5753	0.5883
NZD/AUD	0.9778	-0.0005	-0.0012	-0.0020	-0.0035	CNY	4.1876	4.2827
NZD/JPY	63.73	-0.08	-0.24	-0.46	-0.88	DKK	4.0665	4.1588
NZD/EUR	0.5447	-0.0006	-0.0020	-0.0037	-0.0074	FJD	1.3585	1.3894
NZD/GBP	0.4767	-0.0003	-0.0009	-0.0015	-0.0025	HKD	4.5807	4.6846
						KRW	727.48	744.00
AU TWI	54.00					MYR	2.5960	2.6549
AUD/USD	0.6044	0.0001	0.0002	0.0001	0.0000	NOK	6.1428	6.2823
AUD/NZD	1.0227	0.0005	0.0012	0.0021	0.0036	SEK	5.9763	6.1120
AUD/JPY	65.18	-0.05	-0.17	-0.34	-0.67	SGD	0.8460	0.8652
AUD/EUR	0.5570	-0.0004	-0.0013	-0.0027	-0.0057	TWD	17.90	18.31
AUD/GBP	0.4875	-0.0001	-0.0003	-0.0005	-0.0009	ZAR	10.9571	11.2059
USD Index	100.33							
EUR/USD	1.0850	0.0010	0.0029	0.0055	0.0111	EQUITIES		
USD/JPY	107.86	-0.11	-0.31	-0.58	-1.10			Index
GBP/USD	1.2396	0.0004	0.0012	0.0017	0.0022	NZX50		9,871
EUR/GBP	0.8752	0.0005	0.0015	0.0033	0.0074	ASX200		5,154
						Dow Jones		21,152
						S&P 500		2,482
						FTSE100		5,480
						DAX 30		9,571
						Nikkei		17,819
						COMMODITIES		
								USD
						Dubai Light		23.93
						Brent Crude		29.85
						Gold		1,613.76
						Silver		14.44
						CRB Index		132.53

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.38%	0.35%	0.29%	0.27%
90 day bank bills	0.52%	0.49%	0.30%	0.26%
FRA 90d in 3mths	0.50%	0.47%	0.30%	0.25%
FRA 180d in 6mths	0.50%	0.47%	0.34%	0.30%
1 year swap*	0.51%	0.48%	0.30%	0.28%
2 year swap*	0.53%	0.50%	0.32%	0.30%
3 year swap*	0.55%	0.52%	0.36%	0.35%
5 year swap*	0.63%	0.60%	0.56%	0.54%
10 year swap*	0.94%	0.91%	0.91%	0.89%
10 year Govt bond		1.32%		0.77%

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

SOURCE: Bloomberg

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