



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Thursday 30 April 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6131	-0.0007
NZD/AUD	0.9363	-0.0011
NZD/JPY	65.38	-0.30
NZD/EUR	0.5639	-0.0029
NZD/GBP	0.4919	-0.0009
NZD/CNH	4.3365	0.0133
AUD/USD	0.6549	0.0001
AUD/EUR	0.6024	-0.0024
EUR/USD	1.0872	0.0044
USD/CNH	7.1227	0.0298
GBP/USD	1.2464	0.0009
EUR/GBP	0.8722	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.26%	0.11%
2 year swap	0.22%	0.24%
10 year Govt	0.96%	0.92%

## More of the same please, Sir!

This morning the Fed's "Board of Governors voted unanimously to maintain the interest rate paid on required and excessive reserve balances at 0.10%" and maintain the Fed Funds Range at 0.00% to 0.25%.

The statement repeated the language used in the March meeting stating the committee would keep the benchmark target range near zero "until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals."

The Fed minutes also highlighted that they "will continue" to purchase bonds,

judging that the COVID-19 pandemic, "poses considerable risks to the economic outlook over the medium term."

In looking forward, the Fed maintained its vague guidance on the future path of rates, although Chairman Powell added at the Q&A that "the next phases are highly uncertain, we will reopen the economy (but) it will take some time." The Chairman also reiterated the Fed's commitment to use its "full range" of tools to support its dual mandate although Q2 economic activity would fall at an unprecedented rate, musing, "will there be a need to do more? I think the answer to that is yes." In a somewhat positive note, he added that as long as inflation expectations are anchored, we shouldn't see deflation.

So, to summarise, the Fed will maintain their interest rate policy at essentially zero, and continue its expanded monetary stimulus programmes, which may conceivably be expanded upon as the data worsens.

This was highlighted by the GDP print, which showed the US economy shrank at an annualised 4.8% in the first quarter, the biggest slide since 2008 and the first contraction since 2014. Even more frightening is what the upcoming quarters contraction will look like, with some economists forecasting the contraction will exceed 30% on an annualised basis.

The markets have liked the Fed's mix of pragmatic realism and unlimited support, which has been perceived to be "risk" supportive.

Equities markets have rallied strongly, up 3%-4%, and the risk currencies have also benefited. The NZD/USD has cracked the 0.6100 level to be trading at 0.6130, the AUD/USD has maintained its impetus to trade at 0.6550, while the USD index has eased to a two-week low at 99.52. Fixed income markets have been stable with the 10-year treasury firming a touch to 0.61%. We would expect NZ swap rates to maintain yesterday's consolidation, possibly firming a touch.

## Record trade data

Yesterday, New Zealand's trade balance for March headlined at NZD672 million, slightly below the expected NZD686 million but ahead of February's NZD594 million. NZ exports totalled NZD5.81 billion, a world record (in NZ), while imports came in at NZD5.14 billion.

Australian Q1 inflation headline CPI printed at 0.3% for March against an expected 0.2%.

Brexit, is that still a thing? Yes! According to an unnamed source Brexit talks have hit an impasse, as, "there are plenty of minor technical details where we could find solutions. But on the fundamental goals each side is trying to achieve — the differences are enormous. Things cannot move without a political push. And it's missing."

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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	69.31					CAD	0.8516 0.9095
NZD/USD	0.6131	-0.0001	-0.0004	-0.0007	-0.0012	CHF	0.5978 0.6385
NZD/AUD	0.9363	-0.0003	-0.0008	-0.0011	-0.0018	CNY	4.3389 4.6340
NZD/JPY	65.38	-0.04	-0.15	-0.30	-0.66	DKK	4.2067 4.4929
NZD/EUR	0.5639	-0.0005	-0.0015	-0.0029	-0.0060	FJD	1.3767 1.4703
NZD/GBP	0.4919	-0.0002	-0.0005	-0.0009	-0.0016	HKD	4.7517 5.0750
						KRW	742.77 793.30
AU TWI	57.70					MYR	2.6481 2.8282
AUD/USD	0.6549	0.0001	0.0001	0.0001	0.0000	NOK	6.3275 6.7580
AUD/NZD	1.0680	0.0003	0.0009	0.0013	0.0020	SEK	6.0358 6.4464
AUD/JPY	69.84	-0.02	-0.10	-0.24	-0.57	SGD	0.8654 0.9242
AUD/EUR	0.6024	-0.0003	-0.0011	-0.0024	-0.0053	TWD	18.33 19.58
AUD/GBP	0.5254	0.0000	-0.0001	-0.0003	-0.0007	ZAR	11.1148 11.8709
USD Index	99.52						
EUR/USD	1.0872	0.0007	0.0021	0.0044	0.0096	<b>EQUITIES</b>	
USD/JPY	106.65	-0.05	-0.17	-0.37	-0.86		<b>Index</b>
GBP/USD	1.2464	0.0001	0.0005	0.0009	0.0015	NZX50	10,666
EUR/GBP	0.8722	0.0004	0.0013	0.0029	0.0066	ASX200	5,393
						Dow Jones	24,634
						S&P 500	2,940
						FTSE100	6,115
						DAX 30	11,108
						Nikkei	19,771
						<b>COMMODITIES</b>	
							<b>USD</b>
						Dubai Light	20.82
						Brent Crude	22.76
						Gold	1,711.44
						Silver	15.28
						CRB Index	118.77

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.30%	0.27%	0.12%	0.10%
90 day bank bills	0.29%	0.26%	0.13%	0.09%
FRA 90d in 3mths	0.23%	0.20%	0.20%	0.15%
FRA 180d in 6mths	0.19%	0.16%	0.28%	0.24%
1 year swap*	0.23%	0.20%	0.19%	0.18%
2 year swap*	0.23%	0.20%	0.25%	0.23%
3 year swap*	0.28%	0.25%	0.31%	0.30%
5 year swap*	0.41%	0.38%	0.55%	0.52%
10 year swap*	0.83%	0.80%	0.99%	0.96%
10 year Govt bond		0.93%		0.92%

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

SOURCE: Bloomberg

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