



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 6 April 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.5875	-0.0010
NZD/AUD	0.9770	-0.0019
NZD/JPY	63.69	-0.42
NZD/EUR	0.5430	-0.0036
NZD/GBP	0.4791	-0.0014
NZD/CNH	4.1771	0.0010
AUD/USD	0.6015	0.0002
AUD/EUR	0.5558	-0.0026
EUR/USD	1.0822	0.0055
USD/CNH	7.1227	0.0136
GBP/USD	1.2266	0.0016
EUR/GBP	0.8823	0.0034

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.49%	0.25%
2 year swap	0.50%	0.31%
10 year Govt	1.29%	0.76%

Keeping the message constant

Just to ensure everyone has got the message, RBNZ Governor, Adrian Orr, was in the press over the weekend stating that he will keep monetary policy supportive for as long as is necessary through QE and other tools.

New Zealand is in a globally enviable fiscal position with significant headroom, but Mr Orr's comments carried a warning. He highlighted that some businesses will fail, that unemployment will rise, and we will have to make tough decisions when it comes to supporting specific firms' viability.

While the financial system is strong, we do not run a 'zero failure' regime.

Mr Trump has also been on the newswires this morning, although his comments were a lot more worrying, stating that this week, and the next, will be the toughest in the COVID-19 battle and adding that he expects there to be, "a lot of death."

Oil is set for another volatile week after a meeting of OPEC and other oil producers was delayed and, at this stage, it has only tentatively been re-scheduled for Thursday. In support of this effort, oil diplomats are attempting to arrange an additional G20 meeting on Friday to support the negotiations and keep the pressure on. Perhaps, unsurprisingly though, an Iraqi oil minister added that any new deal must have support from producers outside of OPEC. For 'support' please read 'production cuts'.

Going into the close

Friday night saw the release of the non-farm payroll number in the US. Traditionally this is an important release for the month, although these are challenging times and, given the data collection cut off was 12 March, its impact was more subdued than normal as it didn't capture the last two initial claims numbers. Nevertheless, it was a shocker as payrolls fell 701,000, its first negative number since 2010, which pushed the unemployment rate to 4.4%

against a 3.8% expectation. Although everyone knows that this number will go a lot higher in the coming months. Markets took the news in their stride with US equities down 1.5% and the US 10 year yield easing to 0.595%.

The USD index also continued its slow grind higher which weighed on the 'risk' currencies with the NZD/USD and AUD/USD easing to 0.5875 and 0.6015.

The week ahead

This week, the financial markets will continue to focus on the impact and spread of COVID-19 through the global economy.

In addition, we have the Fed opening a new Repo Facility to provide USD to central banks overnight, while on Friday morning (NZ time) we have the release of the FOMC minutes from the 15 March meeting.

Elsewhere, the Euro area is set to unveil a coordinated fiscal response to COVID-19 following a conference call scheduled for overnight on Tuesday, while major oil producers are expected to agree on a crude output cut at some stage during the week.

We have Central Bank meetings by the RBA and the Bank of Korea, while data releases include US inflation and consumer sentiment, UK monthly GDP, Germany factory orders, and China inflation data.

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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	67.92					CAD	0.8354 0.8551
NZD/USD	0.5875	-0.0001	-0.0005	-0.0010	-0.0019	CHF	0.5739 0.5874
NZD/AUD	0.9770	-0.0004	-0.0011	-0.0019	-0.0032	CNY	4.1614 4.2593
NZD/JPY	63.69	-0.07	-0.22	-0.42	-0.82	DKK	4.0530 4.1484
NZD/EUR	0.5430	-0.0006	-0.0019	-0.0036	-0.0072	FJD	1.3504 1.3822
NZD/GBP	0.4791	-0.0003	-0.0008	-0.0014	-0.0024	HKD	4.5532 4.6604
						KRW	725.68 742.76
AU TWI	54.00					MYR	2.5608 2.6211
AUD/USD	0.6015	0.0001	0.0002	0.0002	0.0000	NOK	6.2191 6.3655
AUD/NZD	1.0235	0.0004	0.0012	0.0020	0.0034	SEK	5.9763 6.1170
AUD/JPY	65.21	-0.04	-0.15	-0.30	-0.63	SGD	0.8453 0.8652
AUD/EUR	0.5558	-0.0004	-0.0013	-0.0026	-0.0056	TWD	17.78 18.20
AUD/GBP	0.4904	-0.0001	-0.0003	-0.0005	-0.0009	ZAR	11.2026 11.4663
USD Index	100.58						
EUR/USD	1.0822	0.0010	0.0029	0.0055	0.0110	EQUITIES	
USD/JPY	108.41	-0.09	-0.29	-0.53	-1.05		Index
GBP/USD	1.2266	0.0004	0.0011	0.0016	0.0022	NZX50	9,935
EUR/GBP	0.8823	0.0005	0.0016	0.0034	0.0073	ASX200	5,067
						Dow Jones	21,053
						S&P 500	2,489
						FTSE100	5,416
						DAX 30	9,526
						Nikkei	17,820
						COMMODITIES	
							USD
						Dubai Light	29.85
						Brent Crude	34.11
						Gold	1,615.59
						Silver	14.33
						CRB Index	135.84

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.38%	0.35%	0.26%	0.24%
90 day bank bills	0.51%	0.48%	0.27%	0.23%
FRA 90d in 3mths	0.45%	0.42%	0.29%	0.24%
FRA 180d in 6mths	0.47%	0.44%	0.36%	0.32%
1 year swap*	0.48%	0.44%	0.29%	0.27%
2 year swap*	0.52%	0.48%	0.31%	0.30%
3 year swap*	0.54%	0.50%	0.34%	0.34%
5 year swap*	0.62%	0.58%	0.54%	0.52%
10 year swap*	0.95%	0.91%	0.87%	0.85%
10 year Govt bond		1.26%		0.76%

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

SOURCE: Bloomberg

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