



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Tuesday 7 April 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.5935	-0.0010
NZD/AUD	0.9746	-0.0018
NZD/JPY	64.77	-0.43
NZD/EUR	0.5495	-0.0038
NZD/GBP	0.4847	-0.0015
NZD/CNH	4.2181	0.0021
AUD/USD	0.6089	0.0002
AUD/EUR	0.5638	-0.0028
EUR/USD	1.0799	0.0057
USD/CNH	7.1227	0.0151
GBP/USD	1.2245	0.0017
EUR/GBP	0.8819	0.0035
INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.47%	0.24%
2 year swap	0.48%	0.32%
10 year Govt	1.33%	0.78%

## Keeping on keeping up

As this week is a short week for a lot of the global trading centres, we can rest easy as we've had a stellar start to the week! In fact, what the heck ... let's close for Easter now, because equities have put in a rocket-like performance.

With tentative signs that deaths are plateauing in New York and rumours of another USD1.5 trillion stimulus package, US equities have surged 7%, following on from 4% gains across Asia and Europe.

While we haven't resolved COVID-19, markets are grasping tentatively to the news that infections are starting to 'level-off'.

And this 'risk on' theme has followed through to other markets with the NZD and AUD rallying to 0.5935 and 0.6090 against the USD, and the US 10 year treasury yield climbing to 0.666% ... an omen perhaps?

In perhaps the strangest news we have seen over the past 24 hours, analysis worldwide is largely upgrading stock recommendations following the recent crash. Across the world's three major markets, upgrades are exceeding downgrades on a ratio of 2:1. That is crazy in this environment.

Speaking of Japan, it is slowly moving closer to declaring a state of emergency. In addition, it has introduced its own helicopter drop with increased subsidies for firms to help limit job losses, JPY 300,000 in cash for each household, and JPY 10,000 per child.

## The COVID Dilemma

What is the trade-off between physical (mortality) damage versus economic damage amongst the outbreak?

In the UK the Times has reported that ministers have been discussing how and when to ease the coronavirus lockdown after the Treasury warned that if the lockdown lasted much beyond June, then there would come a point when the government would no longer be able to prevent otherwise profitable industries from going to the wall.

In amongst this the British Prime Minister, Boris Johnson, has been admitted to hospital for tests over 'persistent' coronavirus symptoms. The latest news is that he has been moved into the ICU and is on a ventilator.

Oil has had another roller-coaster session. It started with Trump announcing that he could impose 'very substantial' tariffs on oil imports but he doesn't think he'll need to. So, no cuts for shale producers then. But wait, OPEC have just announced they are willing to limit production, but only if the US cuts as well.

RBNZ Chief Economist and Head of Economics, Yuong Ha, stated that they are not preparing local banks for a negative cash rate now, adding that any QE expansion is a decision for the monetary policy committee. Also, the RBNZ has announced it is prepared to purchase Local Government Funding Agency ("LGFA") bonds in small scale for liquidity management and market functionality purposes.

The ANZ commodity price index fell a further 2.1% from February to March, which is the fourth consecutive drop, resulting in the index falling 8.3% since December. Meat and aluminium lead the decline, which is now at a four-year low.

Finally, slightly concerning on a 'what do they feed him' thought, the tiger at NYC's Bronx Zoo has tested positive for coronavirus!

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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	68.49					<b>CAD</b>	0.8375	0.8594
NZD/USD	0.5935	-0.0002	-0.0005	-0.0010	-0.0018	<b>CHF</b>	0.5805	0.5957
NZD/AUD	0.9746	-0.0004	-0.0011	-0.0018	-0.0029	<b>CNY</b>	4.2077	4.3176
NZD/JPY	64.77	-0.07	-0.22	-0.43	-0.84	<b>DKK</b>	4.1011	4.2081
NZD/EUR	0.5495	-0.0006	-0.0020	-0.0038	-0.0073	<b>FJD</b>	1.3713	1.4071
NZD/GBP	0.4847	-0.0003	-0.0009	-0.0015	-0.0024	<b>HKD</b>	4.5998	4.7199
						<b>KRW</b>	727.10	746.09
AU TWI	53.80					<b>MYR</b>	2.5879	2.6555
AUD/USD	0.6089	0.0001	0.0002	0.0002	0.0000	<b>NOK</b>	6.1806	6.3420
AUD/NZD	1.0261	0.0004	0.0011	0.0019	0.0031	<b>SEK</b>	6.0010	6.1577
AUD/JPY	66.46	-0.05	-0.15	-0.31	-0.66	<b>SGD</b>	0.8502	0.8724
AUD/EUR	0.5638	-0.0004	-0.0015	-0.0028	-0.0058	<b>TWD</b>	17.93	18.40
AUD/GBP	0.4973	-0.0001	-0.0003	-0.0005	-0.0010	<b>ZAR</b>	11.0746	11.3638
USD Index	100.81							
EUR/USD	1.0799	0.0010	0.0031	0.0057	0.0112	<b>EQUITIES</b>		
USD/JPY	109.15	-0.09	-0.28	-0.54	-1.09			<b>Index</b>
GBP/USD	1.2245	0.0004	0.0011	0.0017	0.0025	<b>NZX50</b>		9,764
EUR/GBP	0.8819	0.0005	0.0017	0.0035	0.0074	<b>ASX200</b>		5,287
						<b>Dow Jones</b>		22,652
						<b>S&amp;P 500</b>		2,646
						<b>FTSE100</b>		5,582
						<b>DAX 30</b>		10,075
						<b>Nikkei</b>		18,576
						<b>COMMODITIES</b>		
								<b>USD</b>
						<b>Dubai Light</b>		29.05
						<b>Brent Crude</b>		33.12
						<b>Gold</b>		1,665.18
						<b>Silver</b>		15.00
						<b>CRB Index</b>		135.95

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.37%	0.34%	0.25%	0.23%
90 day bank bills	0.49%	0.45%	0.26%	0.22%
FRA 90d in 3mths	0.43%	0.43%	0.29%	0.24%
FRA 180d in 6mths	0.44%	0.41%	0.34%	0.30%
1 year swap*	0.45%	0.43%	0.28%	0.27%
2 year swap*	0.49%	0.47%	0.32%	0.31%
3 year swap*	0.52%	0.50%	0.36%	0.36%
5 year swap*	0.61%	0.59%	0.55%	0.54%
10 year swap*	0.94%	0.92%	0.92%	0.91%
10 year Govt bond		1.30%		0.78%

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

SOURCE: Bloomberg

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