



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 1 May 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6133	-0.0007
NZD/AUD	0.9413	-0.0011
NZD/JPY	65.80	-0.29
NZD/EUR	0.5597	-0.0028
NZD/GBP	0.4869	-0.0008
NZD/CNH	4.3407	0.0117
AUD/USD	0.6515	0.0001
AUD/EUR	0.5946	-0.0023
EUR/USD	1.0957	0.0044
USD/CNH	7.1227	0.0267
GBP/USD	1.2596	0.0008
EUR/GBP	0.8699	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.27%	0.10%
2 year swap	0.19%	0.22%
10 year Govt	0.88%	0.89%

Data starts to weigh

The realism of the economic impact of COVID-19 is starting to weigh on markets as the data starts to turn.

Following on from yesterday's poor GDP data, last night saw US Personal Spending fall at a record pace, dropping 7.5% in March against an expected 5.0% fall. This is the largest fall on record and, for a services-based economy, suggests consumption won't be the saviour of the US economy as it was post the GFC.

Also, in what is becoming a regular Friday morning comment, US initial claims printed at 3.839 million, bringing the 6-week total number of claims to

over 30 million, or almost 1 in 5 of the working population!

The Fed though wasn't going to let all the headlines be negative, announcing another expansion to their Main Street Loan Programme. By doubling the revenue limit to USD5 billion of those eligible to claim, and also increasing the number of employees to 15,000 for claimants, the Fed is hoping to expand its impact through what is one of the most ambitious emergency lending programmes ever created. With its capability to buy up to USD600 billion of eligible loans from potentially hundreds, if not thousands of US companies.

Boeing is taking another approach though, announcing it is selling USD25 billion of bonds after what would have been one of their worst quarters in history.

Eurozone GDP suffered as the economy contracted 3.8% for the March quarter and 3.3% for the year. This contraction was driven by France and Spain's worse than expected quarterly contraction of 5.8% and 5.2% respectively. Surprisingly, Italy exceeded expectations but still contracted 4.8% for the quarter. The worst is yet to come as France only began lockdown in the middle of March which will cause June's numbers to stay depressed.

This wide array of data has seen equities give up some of their recent gains with European bourses down 2%-3% while US markets are broadly down 1% at the

time of writing. Currencies have been quiet with the US dollar index easing, while the NZD/USD has spent the night hovering around the 0.6140 level. The AUD/USD has slipped back to the 0.6520 level forcing the NZD/AUD cross up to 0.9410.

Time to buy a house?

The RBNZ has removed the LVR restrictions that they have imposed upon the local banks for the last 12 months, in an attempt to support the flow of credit and lending to NZ consumers.

Once again, the market questions Chinese economic data. China's official PMI's outlined that both sectors were in expansionary territory, while private surveys such as the Caixin Manufacturing PMI suggest that the manufacturing sector is still in contractionary territory at 49.4 vs 50.5 expected. An impressive 91% of Chinese companies resumed work in March but only 4% of them were operating at full capacity.

Finally, President Trump has started the blame-game for the upcoming election, announcing that China "will do anything they can to have me lose" although he doesn't believe those polls that have Joe Biden ahead.

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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	0.8538 0.9070
NZD/USD	0.6133	-0.0001	-0.0004	-0.0007	-0.0012	CHF	0.5920 0.6289
NZD/AUD	0.9413	-0.0003	-0.0008	-0.0011	-0.0017	CNY	4.3324 4.6026
NZD/JPY	65.80	-0.04	-0.14	-0.29	-0.63	DKK	4.1772 4.4376
NZD/EUR	0.5597	-0.0004	-0.0014	-0.0028	-0.0060	FJD	1.3696 1.4550
NZD/GBP	0.4869	-0.0002	-0.0005	-0.0008	-0.0015	HKD	4.7549 5.0514
						KRW	745.09 791.56
AU TWI	57.80					MYR	2.6342 2.7984
AUD/USD	0.6515	0.0001	0.0001	0.0001	-0.0001	NOK	6.2837 6.6756
AUD/NZD	1.0624	0.0003	0.0008	0.0013	0.0019	SEK	5.9828 6.3559
AUD/JPY	69.91	-0.02	-0.09	-0.22	-0.54	SGD	0.8647 0.9186
AUD/EUR	0.5946	-0.0003	-0.0010	-0.0023	-0.0053	TWD	18.24 19.38
AUD/GBP	0.5172	0.0000	-0.0001	-0.0003	-0.0006	ZAR	11.3681 12.0770
USD Index	99.01						
EUR/USD	1.0957	0.0007	0.0021	0.0044	0.0097	EQUITIES	
USD/JPY	107.31	-0.04	-0.16	-0.36	-0.82		Index
GBP/USD	1.2596	0.0001	0.0005	0.0008	0.0014	NZX50	10,532
EUR/GBP	0.8699	0.0004	0.0013	0.0029	0.0067	ASX200	5,522
						Dow Jones	24,331
						S&P 500	2,907
						FTSE100	5,901
						DAX 30	10,862
						Nikkei	20,194
						COMMODITIES	
							USD
						Dubai Light	23.87
						Brent Crude	26.57
						Gold	1,687.08
						Silver	14.96
						CRB Index	124.43

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	0.30%	0.27%	0.12%	0.08%
FRA 90d in 3mths	0.25%	0.20%	0.18%	0.13%
FRA 180d in 6mths	0.18%	0.15%	0.25%	0.21%
1 year swap*	0.22%	0.19%	0.18%	0.15%
2 year swap*	0.20%	0.18%	0.23%	0.21%
3 year swap*	0.23%	0.21%	0.29%	0.28%
5 year swap*	0.37%	0.34%	0.51%	0.49%
10 year swap*	0.79%	0.76%	0.95%	0.92%
10 year Govt bond		0.86%		0.89%

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

SOURCE: Bloomberg

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