



BANCORP

BANCORPTREASURY SERVICES LIMITED

MARKET ALERT

Monday 11 May 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6156	-0.0006
NZD/AUD	0.9420	-0.0009
NZD/JPY	65.63	-0.27
NZD/EUR	0.5682	-0.0028
NZD/GBP	0.4961	-0.0008
NZD/CNH	4.3665	0.0244
AUD/USD	0.6536	0.0001
AUD/EUR	0.6033	-0.0023
EUR/USD	1.0833	0.0043
USD/CNH	7.1227	0.0461
GBP/USD	1.2410	0.0009
EUR/GBP	0.8729	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.27%	0.09%
2 year swap	0.17%	0.17%
10 year Govt	0.70%	0.89%

Massive US unemployment

For all the build-up and suspense, Friday's non-farm payrolls data failed to shock markets. While the numbers were huge, the old adage *"we were expecting something bad"* played true to form.

In fact, as the expectations were so bad, at 22 million and 16% unemployed, the headline print at 20.5 million and 14.7% supported a 'risk on' environment.

Breaking the numbers down, the actual job losses were widespread, with the largest loss, 7.7 million jobs, occurring in the leisure and hospitality sector.

While these numbers may well be perceived to have 'beaten' expectations, warnings were aplenty as a White House

advisor estimated the unemployment rate will top 20% and a Fed official stated, *"the worst is yet to come."* Futures continue to price the Fed funds rate in negative territory by year end, and it would appear that White House favourites Kudlow and Mnuchin have begun negotiations with Congress for another stimulus package.

The risk on sentiment was further supported with at least 30 US states allowing businesses to operate, or announced plans to do so in May, while UK Prime Minister, Boris Johnson, also announced plans to gradually re-stimulate the British economy with looser restrictions on movement, and for some schools and stores to reopen by 1 June. We also saw New York, Italy and Germany continue to move past their humps as mortality rates continued to fall.

Eurozone finance ministers finally agreed on something, the Pandemic Crisis Support, which will offer cheap credit lines that can be tapped until the end of 2022 by countries hit by the coronavirus crisis. French Finance Minister, Bruno Le Maire, said that the credit line of the European Stability Mechanism ("ESM"), the EU rescue fund, will be operational by 1 June.

All up, last week's positive close saw the NZD/USD and AUD/USD move towards the top of their current ranges, with the NZD having a small jump this morning. Currently they are trading at

0.6150 and 0.6531 respectively, with the NZD/AUD cross at 0.9415. Equities closed in positive territory and the US 10-year yield firmed to 0.69% at the close, both of which should support a positive open to this week.

A belated happy Mother's Day

In a case of, *"I bet his mother would be proud of him,"* President Trump's representatives are due in front of the US Supreme Court on Tuesday to argue two constitutional cases. The court's rulings could determine whether the president's tax returns become public, and whether he faces an accelerated criminal investigation as three Congress Committee's pursue legislative definitions covering ethical and foreign influence issues. The last two cases of a similar magnitude involved a certain President Nixon and President Clinton, and we all know how they turned out!

This week, the focus will turn to US and China retail trade, industrial output and inflation data; UK and Germany Q1 GDP; Eurozone industrial production; Australia employment figures, business and consumer morale; and, in New Zealand, the RBNZ meeting and the budget, which will make for sombre reading.

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BANCORP TREASURY SERVICES LIMITED

DAILY RATES

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FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	69.54					CAD	0.8581 0.9109
NZD/USD	0.6156	-0.0001	-0.0003	-0.0006	-0.0009	CHF	0.5977 0.6345
NZD/AUD	0.9420	-0.0002	-0.0006	-0.0009	-0.0011	CNY	4.3416 4.6089
NZD/JPY	65.63	-0.04	-0.13	-0.27	-0.59	DKK	4.2376 4.4985
NZD/EUR	0.5682	-0.0004	-0.0013	-0.0028	-0.0056	FJD	1.3778 1.4626
NZD/GBP	0.4961	-0.0001	-0.0004	-0.0008	-0.0013	HKD	4.7710 5.0648
						KRW	749.15 795.27
AU TWI	57.60					MYR	2.6537 2.8170
AUD/USD	0.6536	0.0000	0.0001	0.0001	-0.0002	NOK	6.2768 6.6633
AUD/NZD	1.0616	0.0002	0.0006	0.0011	0.0012	SEK	6.0288 6.4000
AUD/JPY	69.67	-0.02	-0.09	-0.22	-0.54	SGD	0.8696 0.9231
AUD/EUR	0.6033	-0.0003	-0.0011	-0.0023	-0.0052	TWD	18.35 19.48
AUD/GBP	0.5267	0.0000	-0.0001	-0.0003	-0.0008	ZAR	11.3040 11.9999
USD Index	99.73						
EUR/USD	1.0833	0.0007	0.0021	0.0043	0.0092	EQUITIES	
USD/JPY	106.61	-0.04	-0.16	-0.35	-0.80		Index
GBP/USD	1.2410	0.0002	0.0005	0.0009	0.0015	NZX50	10,696
EUR/GBP	0.8729	0.0004	0.0013	0.0028	0.0063	ASX200	5,391
						Dow Jones	24,331
						S&P 500	2,930
						FTSE100	5,936
						DAX 30	10,904
						Nikkei	20,179
						COMMODITIES	
							USD
						Dubai Light	28.17
						Brent Crude	30.97
						Gold	1,700.42
						Silver	15.43
						CRB Index	132.44

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.30%	0.27%	0.10%	0.10%
90 day bank bills	0.29%	0.26%	0.11%	0.07%
FRA 90d in 3mths	0.20%	0.17%	0.14%	0.09%
FRA 180d in 6mths	0.16%	0.13%	0.20%	0.16%
1 year swap*	0.20%	0.16%	0.14%	0.13%
2 year swap*	0.18%	0.15%	0.18%	0.16%
3 year swap*	0.21%	0.18%	0.24%	0.22%
5 year swap*	0.33%	0.30%	0.42%	0.41%
10 year swap*	0.73%	0.70%	0.90%	0.89%
10 year Govt bond		0.68%		0.89%

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

SOURCE: Bloomberg

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