



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 12 May 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6075	-0.0005
NZD/AUD	0.9362	-0.0009
NZD/JPY	65.39	-0.26
NZD/EUR	0.5617	-0.0027
NZD/GBP	0.4924	-0.0008
NZD/CNH	4.3168	0.0237
AUD/USD	0.6490	0.0000
AUD/EUR	0.6001	-0.0023
EUR/USD	1.0815	0.0043
USD/CNH	7.1227	0.0451
GBP/USD	1.2338	0.0008
EUR/GBP	0.8766	0.0029

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	0.72%	0.96%

The second wave

As New Zealand establishes the framework for a loosening of the lockdown conditions, some of the shine has started to dull international markets as conversations turn to the implications of a second wave. China, South Korea, Singapore and Germany have all seen an increase in new cases after lifting restrictions, but the wider question for every politician is, how much of an increase in the mortality rates is acceptable against the costs of not restarting your economy?

With this in mind, equity markets flatlined overnight, although the US dollar index broke back above the 100.00 level which saw the 'carry currencies' give up their recent gains.

Currently the NZD and AUD are trading at 0.6070 and 0.6490 against the USD. On the cross, NZD/AUD has eased to 0.9360. In a similar vein, oil hasn't been able to hold on to its gains, as fears of the glut outweigh against further cuts after Saudi Arabia announced it will cut production by an extra 1 million barrels per day from June.

Currently WTI is trading at USD24.70 and Brent is at USD30.80. Interestingly, Saudi Arabia hiked their VAT yesterday from 5% to 15%, while also reducing the living allowance for government workers as, one would assume, reduced oil revenues start to weigh on their economy.

More comments

ECB member, Olli Rehn, had some harsh comments relating to the German court's ruling that the stimulus program by the ECB is potentially unconstitutional stating the, "*top court is trying to interfere with the independence of the European Central Bank.*"

Ahead of trade talks, US agencies, the FBI and the Department of Homeland Security are preparing to issue a warning that China's most skilled hackers and spies are working to steal American research on vaccines and treatments for COVID-19.

The BOJ's 'Summary of Opinions' from April's monetary policy meeting highlighted that while the Japanese economy is likely to remain in a severe state for some time, the short term

slump may not necessarily determine the medium or long-term path of Japan's economy, which will likely improve and see prices pick up once the pandemic subsides. The fact that the Japanese government is considering lifting the state of emergency in 34 of the country's 47 prefectures as early as Thursday would definitely help.

The Wall Street Journal has posted an article stating the Fed is unlikely to consider using negative interest rates concluding the tool's clear costs outweigh its uncertain benefits.

Swiss National Bank Chair, Thomas Jordan, says the central bank is making a "*substantial commitment*" intervening in the FX markets to weaken the Swiss franc.

The PBC stated it will use "*more powerful*" policies to help growth, citing China's unprecedented economic challenges from the coronavirus pandemic. The central bank will target economic growth and job creation. Monetary policy will be more flexible and appropriate, while liquidity will be maintained at a "*reasonably ample*" level.

The New Zealand ANZ preliminary business survey for May showed a rebound in business confidence jumping 21 points, but it was still a poor print at -46%. Own activity lifted 13 points, to -42%, as firms still expect activity to remain low for the balance of the year. Pricing and cost indicators remain very subdued.

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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	68.97					CAD	0.8514 0.9094
NZD/USD	0.6075	-0.0001	-0.0003	-0.0005	-0.0009	CHF	0.5906 0.6309
NZD/AUD	0.9362	-0.0002	-0.0006	-0.0009	-0.0012	CNY	4.3116 4.6057
NZD/JPY	65.39	-0.03	-0.12	-0.26	-0.58	DKK	4.1898 4.4755
NZD/EUR	0.5617	-0.0004	-0.0013	-0.0027	-0.0056	FJD	1.3567 1.4492
NZD/GBP	0.4924	-0.0001	-0.0004	-0.0008	-0.0014	HKD	4.7087 5.0298
						KRW	743.63 794.34
AU TWI	57.70					MYR	2.6449 2.8252
AUD/USD	0.6490	0.0001	0.0001	0.0000	-0.0002	NOK	6.2443 6.6701
AUD/NZD	1.0682	0.0002	0.0006	0.0010	0.0013	SEK	5.9966 6.4055
AUD/JPY	69.85	-0.02	-0.09	-0.22	-0.53	SGD	0.8608 0.9195
AUD/EUR	0.6001	-0.0003	-0.0011	-0.0023	-0.0052	TWD	18.12 19.36
AUD/GBP	0.5260	0.0000	-0.0001	-0.0003	-0.0009	ZAR	11.1965 11.9602
USD Index	100.17						
EUR/USD	1.0815	0.0007	0.0021	0.0043	0.0091	EQUITIES	
USD/JPY	107.64	-0.04	-0.15	-0.34	-0.79		Index
GBP/USD	1.2338	0.0001	0.0005	0.0008	0.0016	NZX50	10,760
EUR/GBP	0.8766	0.0005	0.0013	0.0029	0.0062	ASX200	5,461
						Dow Jones	24,261
						S&P 500	2,937
						FTSE100	5,940
						DAX 30	10,825
						Nikkei	20,391
						COMMODITIES	
							USD
						Dubai Light	28.27
						Brent Crude	30.09
						Gold	1,696.25
						Silver	15.47
						CRB Index	130.25

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.30%	0.27%	0.09%	0.09%
90 day bank bills	0.29%	0.26%	0.11%	0.07%
FRA 90d in 3mths	0.21%	0.18%	0.16%	0.11%
FRA 180d in 6mths	0.19%	0.16%	0.20%	0.16%
1 year swap*	0.21%	0.17%	0.13%	0.13%
2 year swap*	0.18%	0.15%	0.17%	0.16%
3 year swap*	0.21%	0.18%	0.23%	0.22%
5 year swap*	0.33%	0.31%	0.45%	0.44%
10 year swap*	0.74%	0.71%	0.93%	0.91%
10 year Govt bond		0.70%		0.96%

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

SOURCE: Bloomberg

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