



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 15 May 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.5998	-0.0006
NZD/AUD	0.9283	-0.0010
NZD/JPY	64.38	-0.27
NZD/EUR	0.5554	-0.0028
NZD/GBP	0.4905	-0.0008
NZD/CNH	4.2649	0.0243
AUD/USD	0.6461	0.0000
AUD/EUR	0.5984	-0.0023
EUR/USD	1.0798	0.0043
USD/CNH	7.1227	0.0479
GBP/USD	1.2228	0.0008
EUR/GBP	0.8830	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.29%	0.09%
2 year swap	0.12%	0.14%
10 year Govt	0.66%	0.90%

And the hits keep coming

Another day of poor US data as initial jobless claims totalled just under 3 million for the week ending 9 May, which was larger than the 2.5 million expected. While the rate of filings continues to ease, the most recent weekly numbers failed to decline as much as the forecast.

Continuing claims rose to around 23 million. Since the COVID-19 outbreak, initial claims have totalled 36 million and, while continuing claims tend to underestimate the true number of job losses, it does provide a better indicator of the true jobless rate.

European equities were down 1-2%, although US equities have firmed a percent. Spookily, the NZD/USD, AUD/USD and NZD/AUD are flat to yesterday's levels at 0.5990, 0.6450 and 0.9285 respectively. Interest rates are a mixed bag with NZ swap rates up 2-4 points across the curve, while the US 10-year yield has eased a couple of points to 0.62%. The big mover of the day has been oil, which is up on reports that May's production will hit a 9 year low, or, an improving demand outlook, depending on who you listen to!

International news

ECB executive board member, Fabio Panetta, in a jibe at the German court ruling on the ECB QE program last week, reiterated that the ECB is under the jurisdiction of the European Court of Justice. Case closed!

In order to prompt progress on the UK/US trade deal discussions, the FT reports the UK government is drawing up plans to slash tariffs on US agricultural imports. Interestingly, in a slap in the face for Australian exporters, China has announced it will allow imports of US barley, while President Trump said, when asked about Chinese president Xi Jinping, "I don't want to speak to him." Apparently, they have "a very good relationship."

The Australian employment change highlighted the impact of COVID-19,

contracting 594.3k, emphasising a significant fall in employment. The expectation was for -575.0k. The unemployment rate came in at 6.2%, which was better than the expected 8.2% but the participation rate did fall to 63.5%, down from 66.0%.

UK RICS monthly house price data suggested that UK house prices fell 21% in April, still, it was better than the expectation, which was for -25%.

Locally, the budget, while big on numbers, possibly lacked a little in the detail. All-up, whatever your political persuasion, the Government is doing us right ... they are ploughing as much fiscal stimulus as possible into the economy to reduce the impact of the pandemic. There will be hiccups and second waves along the way but, at 17% of GDP, we are up there with the best of them.

Annual net migration in NZ increased 71,500 in March from a year earlier, up from 49,600 in February. This reflected the plea by the Government for New Zealanders to "come home" from travelling abroad. This will be the last flow of migrants we will see as NZ continues to keep its international borders shut.

Finally, some good news. The FBI has served a warrant on US Senator Burr. Burr dumped hospitality shares in February after receiving daily COVID-19 updates.

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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	68.17					CAD	0.8421 0.9072
NZD/USD	0.5998	-0.0001	-0.0003	-0.0006	-0.0009	CHF	0.5839 0.6290
NZD/AUD	0.9283	-0.0002	-0.0006	-0.0010	-0.0011	CNY	4.2553 4.5842
NZD/JPY	64.38	-0.03	-0.13	-0.27	-0.57	DKK	4.1422 4.4624
NZD/EUR	0.5554	-0.0004	-0.0014	-0.0028	-0.0054	FJD	1.3525 1.4570
NZD/GBP	0.4905	-0.0001	-0.0004	-0.0008	-0.0014	HKD	4.6491 5.0084
						KRW	736.48 793.41
AU TWI	56.90					MYR	2.5961 2.7967
AUD/USD	0.6461	0.0000	0.0001	0.0000	-0.0002	NOK	6.0958 6.5669
AUD/NZD	1.0773	0.0002	0.0007	0.0012	0.0013	SEK	5.8875 6.3426
AUD/JPY	69.36	-0.02	-0.09	-0.22	-0.54	SGD	0.8538 0.9197
AUD/EUR	0.5984	-0.0003	-0.0011	-0.0023	-0.0051	TWD	17.94 19.33
AUD/GBP	0.5284	0.0000	-0.0001	-0.0003	-0.0009	ZAR	11.0688 11.9243
USD Index	100.37						
EUR/USD	1.0798	0.0006	0.0021	0.0043	0.0091	EQUITIES	
USD/JPY	107.35	-0.04	-0.16	-0.35	-0.80		Index
GBP/USD	1.2228	0.0001	0.0004	0.0008	0.0017	NZX50	10,745
EUR/GBP	0.8830	0.0004	0.0014	0.0029	0.0062	ASX200	5,329
						Dow Jones	23,585
						S&P 500	2,837
						FTSE100	5,742
						DAX 30	10,337
						Nikkei	19,915
						COMMODITIES	
							USD
						Dubai Light	29.65
						Brent Crude	31.13
						Gold	1,730.76
						Silver	15.85
						CRB Index	130.73
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		0.31%	0.28%	0.11%	0.07%		
FRA 90d in 3mths		0.25%	0.22%	0.14%	0.09%		
FRA 180d in 6mths		0.16%	0.13%	0.17%	0.13%		
1 year swap*		0.20%	0.16%	0.13%	0.11%		
2 year swap*		0.14%	0.11%	0.15%	0.13%		
3 year swap*		0.14%	0.11%	0.21%	0.20%		
5 year swap*		0.25%	0.22%	0.42%	0.40%		
10 year swap*		0.66%	0.63%	0.87%	0.86%		
10 year Govt bond			0.64%		0.90%		

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

SOURCE: Bloomberg

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