



MARKET ALERT

Monday 18 May 2020 | www.bancorptreasury.com

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.5931 | -0.0007 |
| NZD/AUD | 0.9239 | 0.0000 |
| NZD/JPY | 63.50 | -0.27 |
| NZD/EUR | 0.5484 | -0.0028 |
| NZD/GBP | 0.4910 | -0.0009 |
| NZD/CNH | 4.2286 | 0.0234 |
| AUD/USD | 0.6417 | -0.0007 |
| AUD/EUR | 0.5935 | -0.0030 |
| EUR/USD | 1.0813 | 0.0043 |
| USD/CNH | 7.1227 | 0.0475 |
| GBP/USD | 1.2078 | 0.0007 |
| EUR/GBP | 0.8953 | 0.0030 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 0.25% | 0.25% |
| 90 day bills | 0.27% | 0.09% |
| 2 year swap | 0.13% | 0.15% |
| 10 year Govt | 0.64% | 0.91% |

US data disappoints ... again

Another blow of poor data out of the US over the weekend as retail sales came in far worse than expected. The headline number slipped 16.4%, while the market was expecting a 12.0% drop. The core number was just as disappointing. The number sets the stage for an unprecedented collapse in consumer spending in the June quarter which accounts for roughly 68.0% of US GDP. Industrial production came in slightly better than the market expected with a decline of 11.2% for the month of April, which is the worst result available in records dating back to 1919. Manufacturing production

slipped 13.7% while employment in manufacturing dropped 1.3 million and average hours worked declined 15.0% in April.

Following Friday nights poor data, Fed Chairman, Jerome Powell, was on the news wires over the weekend talking up a H2 2020 recovery. Headline comments included, *“it’s going to take a while to get back all (of the) GDP lost,”* and, *“(the) US recovery may stretch through to the end of next year.”* According to Mr Powell, an improvement in the second half on the year is inevitable, mainly due to the crippling extent of the contraction in Q2.

In terms of recovering the growth ‘lost’ during the pandemic, that may take until the end of 2021, but that could be an optimistic call given that it depends on when we get a vaccine, if at all. Ultimately, the virus is going to do a lot of damage to corporate, household and government budgets that can only really be fully calculated once the economy returns to full output.

The BoE’s chief economist, Andy Haldane, was also giving interviews and stating that there are other options beyond negative rates, emphasising that they could expand their QE programme to include risk assets further down the risk spectrum.

New Zealand house sales slump during lockdown and prices start to dip as REINZ House Sales index fell 78.5% in April from a year earlier. The House

Price index fell 1.8% for the month, however, is still up 8.5% for the year.

New Zealand manufacturing PMI slipped to 26.1 in April from 53.7 in March.

The COVID-19 minor headlines

The US has accused China of using airplane passengers to spread the virus.

A US health representative clarified that the plan for 300 million vaccines by year-end is *“a goal, not a pledge.”*

The UK will be the first country to receive the AstraZeneca vaccine.

Against this, two European leaders, Italian Prime Minister, Giuseppe Conte, and British Prime Minister, Boris Johnson, have bluntly told their citizens that the world needs to adapt to living with COVID-19 as a vaccine won’t come soon enough, or perhaps ever!

Former US President, Barak Obama, made a rare public criticism of Trump’s White House administration, stating the *“US lacks leadership on (the) pandemic.”*

Coming up

This week we have Central bank minutes from the Fed, ECB and RBA, while China will be deciding on their interest rates. We also have PMI surveys for the US, UK, Eurozone, Japan and Australia, and US housing data, UK jobs and retail trade, while, from Japan, we have Q1 GDP and trade balance.

**BANCORP**

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 | 67.55 | | | | | CAD | 0.8373 0.9063 |
| NZD/USD | 0.5931 | -0.0001 | -0.0004 | -0.0007 | -0.0009 | CHF | 0.5769 0.6244 |
| NZD/AUD | 0.9239 | -0.0002 | 0.0000 | 0.0000 | 0.0005 | CNY | 4.2147 4.5618 |
| NZD/JPY | 63.50 | -0.04 | -0.13 | -0.27 | -0.56 | DKK | 4.0889 4.4256 |
| NZD/EUR | 0.5484 | -0.0004 | -0.0014 | -0.0028 | -0.0054 | FJD | 1.3385 1.4488 |
| NZD/GBP | 0.4910 | -0.0002 | -0.0005 | -0.0009 | -0.0014 | HKD | 4.5968 4.9754 |
| | | | | | | KRW | 731.77 792.04 |
| AU TWI | 57.20 | | | | | MYR | 2.6069 2.8216 |
| AUD/USD | 0.6417 | 0.0000 | -0.0004 | -0.0007 | -0.0014 | NOK | 6.0709 6.5709 |
| AUD/NZD | 1.0824 | 0.0003 | 0.0000 | 0.0000 | -0.0006 | SEK | 5.8454 6.3268 |
| AUD/JPY | 68.71 | -0.02 | -0.14 | -0.29 | -0.65 | SGD | 0.8463 0.9160 |
| AUD/EUR | 0.5935 | -0.0003 | -0.0015 | -0.0030 | -0.0062 | TWD | 17.76 19.22 |
| AUD/GBP | 0.5313 | 0.0000 | -0.0005 | -0.0009 | -0.0019 | ZAR | 11.0177 11.9252 |
| USD Index | 100.40 | | | | | | |
| EUR/USD | 1.0813 | 0.0007 | 0.0021 | 0.0043 | 0.0091 | EQUITIES | |
| USD/JPY | 107.07 | -0.04 | -0.15 | -0.34 | -0.78 | | Index |
| GBP/USD | 1.2078 | 0.0001 | 0.0004 | 0.0007 | 0.0016 | NZX50 | 10,731 |
| EUR/GBP | 0.8953 | 0.0005 | 0.0014 | 0.0030 | 0.0063 | ASX200 | 5,405 |
| | | | | | | Dow Jones | 23,685 |
| | | | | | | S&P 500 | 2,864 |
| | | | | | | FTSE100 | 5,800 |
| | | | | | | DAX 30 | 10,465 |
| | | | | | | Nikkei | 20,037 |
| | | | | | | | |
| | | | | | | COMMODITIES | |
| | | | | | | | USD |
| | | | | | | Dubai Light | 32.48 |
| | | | | | | Brent Crude | 32.50 |
| | | | | | | Gold | 1,742.39 |
| | | | | | | Silver | 16.53 |
| | | | | | | CRB Index | 132.45 |

| INTEREST RATES | New Zealand | | Australia | |
|-------------------|-------------|--------|-----------|--------|
| | Borrow | Invest | Borrow | Invest |
| 30 day bank bills | 0.29% | 0.25% | 0.09% | 0.09% |
| 90 day bank bills | 0.29% | 0.25% | 0.11% | 0.07% |
| FRA 90d in 3mths | 0.26% | 0.22% | 0.16% | 0.11% |
| FRA 180d in 6mths | 0.17% | 0.14% | 0.19% | 0.15% |
| 1 year swap* | 0.20% | 0.18% | 0.13% | 0.11% |
| 2 year swap* | 0.14% | 0.12% | 0.16% | 0.14% |
| 3 year swap* | 0.13% | 0.11% | 0.21% | 0.20% |
| 5 year swap* | 0.22% | 0.20% | 0.43% | 0.41% |
| 10 year swap* | 0.62% | 0.60% | 0.90% | 0.88% |
| 10 year Govt bond | | 0.62% | | 0.91% |

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

SOURCE: Bloomberg

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