



MARKET ALERT

Wednesday 20 May 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6081	-0.0007
NZD/AUD	0.9302	-0.0012
NZD/JPY	65.50	-0.28
NZD/EUR	0.5566	-0.0029
NZD/GBP	0.4962	-0.0010
NZD/CNH	4.3279	0.0279
AUD/USD	0.6537	0.0001
AUD/EUR	0.5984	-0.0023
EUR/USD	1.0925	0.0044
USD/CNH	7.1227	0.0544
GBP/USD	1.2257	0.0009
EUR/GBP	0.8914	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.26%	0.09%
2 year swap	0.14%	0.18%
10 year Govt	0.66%	0.98%

Germany gets optimistic

The German ZEW indicator, an economic gauge of Germany investor sentiment, headlined at 51.0 in May, recording its highest reading since April 2015 and well above market expectations of 32.0. Investors grew optimistic about a Q3 and Q4 economic pick-up.

US housing starts, a barometer for growth within the US economy, plunged 30.2% to 891k in April from the March print of 1,276k. This is its lowest reading since February 2015.

Positive news for New Zealand exports as the GDT auction saw the overall index rise 1%, just its second gain since February. The main benchmark product, whole milk powder, was down 0.5%.

Financial markets were quiet with equity, fixed income and risk markets broadly flat. The NZD/USD is at 0.6090.

Re-iterating the point

Yesterday, it was Reserve Bank of New Zealand (“RBNZ”) Deputy Governor, Geoff Bascand’s turn, to churn out the RBNZ rhetoric. First up was the LSAP programme that could be, “*extended and expanded further*” to provide more stimulus if needed. On further stimulus, Bascand stated that the RBNZ has made, “*no decision on buying foreign assets or negative interest rates at this time,*” adding the RBNZ “*has asked the local banks to be ready to transact and deploy negative rates in wholesale markets by year-end.*” On the NZD, Bascand commented that the, “*exchange rate is at a level that’s supporting exports.*” Finally, in a separate interview, he commented, “*we stick to our commitment. We are keeping the OCR on hold for a year. We are confident we won’t be moving to negative interest rates before March next year.*”

RBNZ Assistant Governor, Christian Hawkesby, also made some comments post Bascand, stating that the RBNZ projections assume NZD will fall. In addition, the RBNZ may not need to increase the size of the QE program, but it does need to be nimble and open minded on stimulus.

The RBA minutes didn’t throw up anything new, but highlighted the RBA is in watching mode, the bank’s policy

package was working broadly as expected and they are prepared to scale up bond purchases again, if necessary, to achieve its 0.25% yield target. The Board is determined that it will not increase the cash rate until progress has been made towards full employment and its inflation target.

Further detail emerged on the EUR500 billion Recovery Fund. As the proposal stands, and one that would require approval by all 27 members, the European Commission would raise the funds via the capital markets, then disburse the funds as grants to EU nations as required.

Modestly better than expected data from Australasia as NZ Q1 PPI output prices rose 0.1% quarterly against an input prices contraction at 0.3%, while the Australian weekly consumer confidence index rose a touch to 92.3 from 90.3. Unfortunately though, China imposed an 80% tariff on Australian barley imports.

US Federal Reserve Chairman, Jerome Powell, in prepared comments for his appearance before the Senate Banking Committee, toed the usual line with, “*we are committed to using our full range of tools to support the economy in this challenging time*” and, “*we expect to maintain interest rates at this level until we are confident that the economy has weathered recent events and is on track to achieve our maximum-employment and price-stability goals.*”

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**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	68.86					CAD	0.8468 0.9103
NZD/USD	0.6081	-0.0001	-0.0004	-0.0007	-0.0011	CHF	0.5908 0.6351
NZD/AUD	0.9302	-0.0003	-0.0007	-0.0012	-0.0015	CNY	4.3169 4.6408
NZD/JPY	65.50	-0.04	-0.13	-0.28	-0.58	DKK	4.1489 4.4602
NZD/EUR	0.5566	-0.0004	-0.0014	-0.0029	-0.0057	FJD	1.3641 1.4664
NZD/GBP	0.4962	-0.0002	-0.0005	-0.0010	-0.0017	HKD	4.7133 5.0669
						KRW	744.56 800.43
AU TWI	57.70					MYR	2.6471 2.8457
AUD/USD	0.6537	0.0001	0.0001	0.0001	-0.0001	NOK	6.0679 6.5232
AUD/NZD	1.0750	0.0003	0.0008	0.0014	0.0018	SEK	5.8894 6.3313
AUD/JPY	70.41	-0.02	-0.09	-0.21	-0.51	SGD	0.8618 0.9264
AUD/EUR	0.5984	-0.0003	-0.0010	-0.0023	-0.0051	TWD	18.21 19.57
AUD/GBP	0.5333	0.0000	-0.0001	-0.0003	-0.0009	ZAR	11.1562 11.9933
USD Index	99.49						
EUR/USD	1.0925	0.0007	0.0021	0.0044	0.0092	EQUITIES	
USD/JPY	107.72	-0.04	-0.15	-0.33	-0.76		Index
GBP/USD	1.2257	0.0001	0.0005	0.0009	0.0019	NZX50	10,790
EUR/GBP	0.8914	0.0004	0.0013	0.0029	0.0061	ASX200	5,560
						Dow Jones	24,207
						S&P 500	2,939
						FTSE100	6,002
						DAX 30	11,075
						Nikkei	20,433
						COMMODITIES	
							USD
						Dubai Light	34.46
						Brent Crude	34.68
						Gold	1,745.78
						Silver	17.32
						CRB Index	137.58

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.29%	0.26%	0.09%	0.09%
90 day bank bills	0.28%	0.25%	0.11%	0.07%
FRA 90d in 3mths	0.27%	0.24%	0.18%	0.13%
FRA 180d in 6mths	0.19%	0.16%	0.22%	0.18%
1 year swap*	0.22%	0.19%	0.15%	0.14%
2 year swap*	0.15%	0.13%	0.19%	0.17%
3 year swap*	0.15%	0.13%	0.24%	0.23%
5 year swap*	0.24%	0.22%	0.45%	0.43%
10 year swap*	0.62%	0.60%	0.93%	0.91%
10 year Govt bond		0.64%		0.98%

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

SOURCE: Bloomberg

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