



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Wednesday 27 May 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6211	-0.0007
NZD/AUD	0.9328	-0.0010
NZD/JPY	66.76	-0.28
NZD/EUR	0.5655	-0.0028
NZD/GBP	0.5036	-0.0009
NZD/CNH	4.4395	0.0301
AUD/USD	0.6658	0.0000
AUD/EUR	0.6061	-0.0024
EUR/USD	1.0984	0.0043
USD/CNH	7.1227	0.0565
GBP/USD	1.2332	0.0008
EUR/GBP	0.8907	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.26%	0.10%
2 year swap	0.21%	0.21%
10 year Govt	0.68%	0.89%

## What universe do equities live in?

US markets have returned, after the bank holiday weekend, with a vengeance. With daily rumours of a vaccine, and the global economy re-opening, the US financial markets have rallied into new territory. This is most relevant with the S&P 500 breaking above the physiological 3,000 level as the market tests the 200 day moving average at 3,009.

In fact, anything risk related has been a beneficiary overnight. Globally, equities have done well across the board after Asia found support as the Japanese Government ended its nationwide state of emergency. European equities also strengthened, with markets taking

comfort from the continued decline in German COVID-19 cases.

These moves supported the NZD/USD and AUD/USD, which both broke into new, higher, ranges, rallying above 0.6200 and 0.6650 respectively. Oil has also found support, up 2.8%, and the 10-year Treasury bond firmed back up to 0.70%.

In Europe, rumours abound that EU President, Ursula von der Leyen, will present her version of the Franco-German fiscal plan. While the rumour is light on details, the word is that it will substantially impact government bonds and the euro.

This is amazing ... the Wuhan government is close to completing its citywide testing drive having tested 6.5 million citizens over the last 10-14 days.

## Central Bank rhetoric continues

The PBoC's Governor Yi Gang was vocal about the changing dynamics of the Chinese economy, stating that he will strengthen macroeconomic policy and that prudent monetary policy will be more flexible. While Governor Yi believes China's economic fundamentals remain unchanged, he did announce that he would support banks to replenish their capital bases and to reduce the outright interest rates.

In addition, the PBoC is actively pushing to open the Chinese financial sector with the intention of attracting more foreign and private financial institutions into their market.

BoJ Governor, Haruhiko Kuroda, in what is becoming a daily talkfest, reiterated the severe state of their economy and that the economic outlook is skewed to the downside.

On a positive note though, he added that he will actively take steps to ease corporate strains. He then jumped on the 'we'll do whatever it takes' rhetoric, saying the *"BoJ will consider changing rates for its yield curve control program if necessary (and) would also consider expanding its special lending programs to further support firms, if needed."*

New Zealand's exports held up strongly in April to produce a record trade surplus of NZD1.27 bn. Exports were close to expectations, at NZD5.26 bn against an expected NZD5.30 bn, while imports collapsed to NZD3.99 bn from NZD5.14 bn in March.

Singapore's Q1 GDP contracted -4.7% on a quarterly basis, or -0.7% annualised. This saw their Ministry of Trade and Industry revise its 2020 GDP growth forecast lower, to -7% from -4%. While this is not good news, Singapore's central bank reaffirmed that monetary policy remains appropriate, although it expects the local job market to deteriorate later in the year.

PM Morrison announced that Australia's borders will not be opening any time soon, although he noted they are still in discussions on a possible travel bubble with New Zealand.

Finally, Novavax will begin human testing of its COVID-19 vaccine ... on Australians. I am so tempted, but, no comment.

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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	70.11					<b>CAD</b> 0.8561	0.9178
NZD/USD	0.6211	-0.0001	-0.0003	-0.0007	-0.0013	<b>CHF</b> 0.5995	0.6427
NZD/AUD	0.9328	-0.0002	-0.0006	-0.0010	-0.0015	<b>CNY</b> 4.4317	4.7510
NZD/JPY	66.76	-0.03	-0.13	-0.28	-0.61	<b>DKK</b> 4.2183	4.5221
NZD/EUR	0.5655	-0.0004	-0.0014	-0.0028	-0.0059	<b>FJD</b> 1.3897	1.4898
NZD/GBP	0.5036	-0.0001	-0.0004	-0.0009	-0.0018	<b>HKD</b> 4.8154	5.1623
						<b>KRW</b> 765.48	820.63
AU TWI	58.20					<b>MYR</b> 2.6941	2.8881
AUD/USD	0.6658	0.0000	0.0001	0.0000	-0.0003	<b>NOK</b> 6.1383	6.5805
AUD/NZD	1.0720	0.0002	0.0007	0.0012	0.0018	<b>SEK</b> 5.9715	6.4016
AUD/JPY	71.56	-0.02	-0.09	-0.22	-0.53	<b>SGD</b> 0.8797	0.9431
AUD/EUR	0.6061	-0.0003	-0.0011	-0.0024	-0.0053	<b>TWD</b> 18.62	19.96
AUD/GBP	0.5399	0.0000	-0.0001	-0.0004	-0.0011	<b>ZAR</b> 10.8181	11.5974
USD Index	98.91						
EUR/USD	1.0984	0.0007	0.0021	0.0043	0.0092	<b>EQUITIES</b>	
USD/JPY	107.49	-0.04	-0.15	-0.33	-0.76		<b>Index</b>
GBP/USD	1.2332	0.0001	0.0004	0.0008	0.0019	<b>NZX50</b>	10,915
EUR/GBP	0.8907	0.0004	0.0014	0.0029	0.0061	<b>ASX200</b>	5,780
						<b>Dow Jones</b>	25,011
						<b>S&amp;P 500</b>	3,009
						<b>FTSE100</b>	6,068
						<b>DAX 30</b>	11,505
						<b>Nikkei</b>	21,271
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	36.07
						<b>Brent Crude</b>	36.15
						<b>Gold</b>	1,710.73
						<b>Silver</b>	17.04
						<b>CRB Index</b>	139.76

  

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	0.28%	0.24%	0.12%	0.08%
FRA 90d in 3mths	0.29%	0.26%	0.19%	0.14%
FRA 180d in 6mths	0.25%	0.22%	0.25%	0.21%
1 year swap*	0.26%	0.22%	0.17%	0.16%
2 year swap*	0.23%	0.20%	0.22%	0.20%
3 year swap*	0.23%	0.20%	0.27%	0.26%
5 year swap*	0.32%	0.29%	0.46%	0.45%
10 year swap*	0.70%	0.66%	0.89%	0.87%
10 year Govt bond		0.66%		0.89%

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

SOURCE: Bloomberg

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