



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Monday 4 May 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6061	-0.0006
NZD/AUD	0.9449	-0.0011
NZD/JPY	64.74	-0.29
NZD/EUR	0.5523	-0.0028
NZD/GBP	0.4853	-0.0008
NZD/CNH	4.3246	0.0141
AUD/USD	0.6414	0.0001
AUD/EUR	0.5845	-0.0023
EUR/USD	1.0974	0.0044
USD/CNH	7.1227	0.0310
GBP/USD	1.2490	0.0008
EUR/GBP	0.8786	0.0030

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.27%	0.10%
2 year swap	0.20%	0.22%
10 year Govt	0.74%	0.87%

## Sell in May and go away?

There is an old saying in the world of markets that coincides with the northern hemisphere summer, it goes something along the lines of ‘sell in May and go away.’

Looking at the world, that may not be a bad strategy! While there will be some optimism as countries start to open up from their respective lockdowns, the fear of a second wave of infections, the imminent collapse in corporate earnings, and the full impact upon the economic data, are all starting to weigh on markets and risk appetite.

This was highlighted by last week’s close, which carried a heavy risk off sentiment as the market ponders the full impact upon company bottom lines and as tensions start to ratchet up between the US and China.

Poor comments from Amazon and Apple rattled markets, while Exxon Mobil got whacked after it posted its first quarterly loss in 32 years.

The USD rallied, which edged the NZD lower, hovering around a familiar 0.6050, while the AUD felt the pressure via data releases leading to the ASX200 selling off 5.0% and the AUD/USD slipping to 0.6415.

## It’s all in the headlines

Rocket Lab CEO, Peter Beck, was on CNBC stating he expects a tough environment for at least 18 more months, adding, *“if you’re one of these space companies that doesn’t have a big runway and a product, perhaps it’s time to think about consolidation.”*

Meanwhile, over the weekend it was announced that US banks are expected to book more than USD50 billion against bad loans.

On Friday, in another initiative aimed at supporting the SME sector, the New Zealand government announced it will provide interest free loans of up to NZD100k to firms with 50 or fewer

full-time employees. If the loan is paid back within a year it will be interest free, otherwise, it will be at 3% for up to 5 years.

This followed the NZ ANZ Consumer Confidence Index release, which took a massive hit in April — contracting 21 points to 84.8 and nearing the GFC low. As in China, even if retailers open their stores soon it will be difficult to convince consumers to part with their money. Equally as poor was the Q1 job vacancies index, down -6.4% on a quarterly basis, or, -12.5% yearly.

The Australian jobless rate created even more pessimism as government data suggests the jobless rate may already have reached 10.8% as welfare receipts soured to 1.3 million, with a further 300,000 applications yet to be processed. This compares with 800,000 recipients as at the end of 2019.

Australia also had a couple of Purchasing Manager (PMI) prints on Friday. First up was the AiG Manufacturing PMI which, for April fell to 35.8, from the previous months 53.7. Meanwhile, the CBA/Markit Manufacturing PMI for April came out at 44.1, down from 49.7.

Whichever way you cut it, April saw the worst deterioration in Australian manufacturing conditions in four years, with output and new orders falling at record rates.

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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	68.69					CAD	0.8537 0.9035
NZD/USD	0.6061	-0.0001	-0.0004	-0.0006	-0.0011	CHF	0.5827 0.6167
NZD/AUD	0.9449	-0.0003	-0.0008	-0.0011	-0.0017	CNY	4.2820 4.5319
NZD/JPY	64.74	-0.04	-0.14	-0.29	-0.63	DKK	4.1205 4.3610
NZD/EUR	0.5523	-0.0005	-0.0014	-0.0028	-0.0059	FJD	1.3554 1.4345
NZD/GBP	0.4853	-0.0002	-0.0005	-0.0008	-0.0015	HKD	4.6982 4.9724
						KRW	742.32 785.64
AU TWI	56.90					MYR	2.6199 2.7728
AUD/USD	0.6414	0.0001	0.0001	0.0001	0.0000	NOK	6.2702 6.6361
AUD/NZD	1.0584	0.0003	0.0008	0.0012	0.0019	SEK	5.9730 6.3216
AUD/JPY	68.52	-0.02	-0.10	-0.22	-0.54	SGD	0.8579 0.9080
AUD/EUR	0.5845	-0.0003	-0.0010	-0.0023	-0.0052	TWD	18.03 19.08
AUD/GBP	0.5135	0.0000	-0.0001	-0.0003	-0.0007	ZAR	11.3999 12.0653
USD Index	99.08						
EUR/USD	1.0974	0.0007	0.0021	0.0044	0.0097	<b>EQUITIES</b>	
USD/JPY	106.83	-0.05	-0.17	-0.36	-0.83		<b>Index</b>
GBP/USD	1.2490	0.0002	0.0005	0.0008	0.0016	NZX50	10,449
EUR/GBP	0.8786	0.0005	0.0014	0.0030	0.0067	ASX200	5,246
						Dow Jones	23,724
						S&P 500	2,831
						FTSE100	5,763
						DAX 30	10,862
						Nikkei	19,619
						<b>COMMODITIES</b>	
							<b>USD</b>
						Dubai Light	23.87
						Brent Crude	26.44
						Gold	1,698.75
						Silver	#N/A N/A
						CRB Index	124.89

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.30%	0.27%	0.10%	0.10%
90 day bank bills	0.29%	0.26%	0.12%	0.08%
FRA 90d in 3mths	0.22%	0.19%	0.18%	0.13%
FRA 180d in 6mths	0.18%	0.15%	0.26%	0.22%
1 year swap*	0.21%	0.20%	0.18%	0.16%
2 year swap*	0.21%	0.19%	0.23%	0.21%
3 year swap*	0.23%	0.21%	0.29%	0.27%
5 year swap*	0.34%	0.32%	0.49%	0.48%
10 year swap*	0.73%	0.71%	0.90%	0.88%
10 year Govt bond		0.72%		0.87%

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

SOURCE: Bloomberg

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