



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 5 May 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6051	-0.0007
NZD/AUD	0.9410	-0.0011
NZD/JPY	64.56	-0.28
NZD/EUR	0.5553	-0.0028
NZD/GBP	0.4861	-0.0008
NZD/CNH	4.3155	0.0125
AUD/USD	0.6431	0.0001
AUD/EUR	0.5901	-0.0023
EUR/USD	1.0897	0.0043
USD/CNH	7.1227	0.0284
GBP/USD	1.2446	0.0008
EUR/GBP	0.8755	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.26%	0.10%
2 year swap	0.18%	0.21%
10 year Govt	0.71%	0.83%

This was not unexpected

Weaker than expected economic data is beginning to spill out of the US, and it appears its only building momentum as factory orders fell 10.3% in March while durable goods orders slipped 14.7%.

However, it must be noted that when you strip out transportation from the headline figures, it isn't entirely doom and gloom as core factory orders 'only' fell 3.7% while core durable orders are down just 0.4%.

The data coming from the US within the next few months will be watched closely as it paints a picture of the toll that COVID-19 is having on the

economy. It's a guessing game at this point with a slight downward bias; but what is certain is the sheer amount of volatility that is to come.

In 2007, Deloitte UK started a CFO-led survey to gain an insight into business sentiment, and their Q1 2020 survey was a shocker. CFO risk appetite was the lowest since 2008 with a record 84% less confident in their economic outlook. Incredibly, 59% of large UK corporates are using the governments furlough scheme, while the general census is that revenues will be 22% below pre-virus forecasts.

All up, the evening session was relatively quiet. FX markets are flatlining, with the NZD and AUD still trading at 0.6050 and 0.6430 against the USD, while fixed income markets had a snooze fest with the US 10 year yielding 0.63%. It was a similar story in equity markets with the US indices flat, although European markets were off 2-3%. In fact, the only market that had a move of any relevance was oil, as WTI and Brent continuing their 'rally from the lows' to be at USD20.90 and USD27.75 respectively.

The good news is

S&P has confirmed New Zealand's AA credit rating with a positive outlook. This is great news as it will support current credit pricing levels as a deterioration would have been detrimental at a time when they are looking to increase issuance.

S&P justified their rational stating that our fundamentals are strong, and that our fiscal position should strengthen after the COVID-19 outbreak subsides. There were a few warning signs though, that we have a high external imbalance, and that our fiscal and debt profiles are temporarily deteriorating.

And right on cue, the RBNZ stepped up to the plate again by making cash available to the domestic banks through a new Term Lending Facility. The facility will be fixed for 3 years at a rate of 0.25%, although it will only be available for the next 6 months.

Despite New Zealand Prime Minister, Jacinda Ardern, being invited to join today's Australian cabinet meeting to discuss the possibility of an Australasian travel 'bubble', she has dampened expectations saying she doesn't see it as a possibility in the short term. Expectations are for a September start.

The COVID-19 finger-pointing at China isn't going to be just from the US, as Australia and the UK jump on the bandwagon. UK defence minister, Ben Wallace, added his 2 pence worth stating, "China has questions to answer on the coronavirus," highlighting the fact that Britain and the US have recently started trade discussions on a new agreement.

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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	68.65					CAD	0.8525 0.9059
NZD/USD	0.6051	-0.0001	-0.0004	-0.0007	-0.0012	CHF	0.5845 0.6212
NZD/AUD	0.9410	-0.0003	-0.0007	-0.0011	-0.0016	CNY	4.2736 4.5418
NZD/JPY	64.56	-0.04	-0.14	-0.28	-0.62	DKK	4.1435 4.4035
NZD/EUR	0.5553	-0.0005	-0.0014	-0.0028	-0.0058	FJD	1.3633 1.4488
NZD/GBP	0.4861	-0.0002	-0.0005	-0.0008	-0.0016	HKD	4.6920 4.9864
						KRW	741.25 787.76
AU TWI	56.30					MYR	2.6115 2.7753
AUD/USD	0.6431	0.0001	0.0001	0.0001	-0.0001	NOK	6.2488 6.6409
AUD/NZD	1.0628	0.0003	0.0008	0.0012	0.0019	SEK	5.9629 6.3371
AUD/JPY	68.62	-0.02	-0.10	-0.22	-0.54	SGD	0.8573 0.9111
AUD/EUR	0.5901	-0.0003	-0.0010	-0.0023	-0.0052	TWD	18.05 19.18
AUD/GBP	0.5167	0.0000	-0.0001	-0.0003	-0.0008	ZAR	11.2397 11.9451
USD Index	99.49						
EUR/USD	1.0897	0.0007	0.0021	0.0043	0.0095	EQUITIES	
USD/JPY	106.71	-0.05	-0.17	-0.36	-0.82		Index
GBP/USD	1.2446	0.0002	0.0005	0.0008	0.0016	NZX50	10,476
EUR/GBP	0.8755	0.0004	0.0013	0.0029	0.0064	ASX200	5,320
						Dow Jones	23,744
						S&P 500	2,843
						FTSE100	5,754
						DAX 30	10,467
						Nikkei	19,619
						COMMODITIES	
							USD
						Dubai Light	24.68
						Brent Crude	27.80
						Gold	1,703.72
						Silver	14.78
						CRB Index	125.84

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.29%	0.25%	0.10%	0.10%
90 day bank bills	0.28%	0.24%	0.12%	0.08%
FRA 90d in 3mths	0.22%	0.19%	0.18%	0.13%
FRA 180d in 6mths	0.17%	0.14%	0.25%	0.21%
1 year swap*	0.21%	0.18%	0.17%	0.16%
2 year swap*	0.19%	0.17%	0.21%	0.20%
3 year swap*	0.21%	0.19%	0.27%	0.26%
5 year swap*	0.32%	0.29%	0.47%	0.46%
10 year swap*	0.71%	0.68%	0.87%	0.86%
10 year Govt bond		0.68%		0.83%

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

SOURCE: Bloomberg

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