



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Thursday 7 May 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6008	-0.0006
NZD/AUD	0.9392	-0.0010
NZD/JPY	63.75	-0.28
NZD/EUR	0.5565	-0.0028
NZD/GBP	0.4868	-0.0008
NZD/CNH	4.2824	0.0138
AUD/USD	0.6397	0.0001
AUD/EUR	0.5925	-0.0023
EUR/USD	1.0796	0.0044
USD/CNH	7.1227	0.0301
GBP/USD	1.2342	0.0009
EUR/GBP	0.8747	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.27%	0.10%
2 year swap	0.22%	0.20%
10 year Govt	0.82%	0.92%

## Markets waiting for Friday's non-farm numbers

A quiet night as markets paused ahead of Friday night's non farm number, but the private payrolls number painted a foreboding picture, slumping by 20.2 million from a month earlier.

Usually a good indicator to the non farm number, the private payrolls number only reflects data up to 12 April, which suggests Fridays 22 million estimation could be a bit light.

The US Treasury will issue even more debt as it plans to inject a record USD96 billion worth of treasury bonds

in this coming quarterly refunding auction to help fund the expected USD3 trillion deficit. This auction will see the revival of the 20 year treasury, which hasn't surfaced since 1986. Treasury yields shot up on the announcement.

Overall, markets largely traded sideways overnight. Treasury yields rose as the US government increased its debt issuance which edged up the USD and pushed the NZD/USD down to 0.6000 and the AUD/USD to 0.6400. The NZD/AUD fell back below 0.9400. Currently the US 10-year yield has retreated to 0.71%.

There has been a lot of chat overnight from Fed members. First up was Fed Vice Chair, Richard Clarida, stating that the recovery could begin in the second half of the year. This is a general theme that a few of the members have been quoting. He then added that, *"we are using our full range of tools, rates, balance sheet, forward guidance and lending facility to support the economy."*

Fed President, Raphael Bostic, then added the *"Fed's emergency programs have reduced market strain,"* although, *"it's very hard to know the shape of the US recovery."*

Finally, James Bullard added his two cents worth, stating he *"feels (the) main disruption to the economy will be in Q2 if situation is managed properly, although it's still possible to get 20% unemployment."* He then highlighted that *"the Fed's provided support, so (the) crisis doesn't become financial."*

## Looking through the headlines

Yesterday, the Reserve Bank of New Zealand ("RBNZ") released a paper on the economic impacts of COVID-19 containment measures. There were a lot of forecasting and estimations with the analysis that, ultimately, will only be proven to be correct or not when the data actually comes out towards the end of the year. Essentially, what the RBNZ is telling us, is that they don't know to what extent the hit to the economy will be.

NZ's headline data looked particularly good though, with a Q1 unemployment rate at 4.2% (expected 4.4%), and an employment change of 0.7% for the quarter (expected -0.2%). The fact that we went into our lockdown a matter of days before the data collection period highlights the strong economic position we had going into the pandemic.

Australian sales data was mixed. March saw a strong 8.5% bounce in monthly sales boosted by pre-lockdown buying. This was against an expectation of an 8.0% increase from February's 0.5%. On a quarterly basis, the retail sales numbers weren't as strong, up only 0.7% (excluding inflation) against an expected +1.8%.

According to reports out of the FT, the Swiss National Bank's ballooning balance sheet is posing a risk to their credibility. The SNB has been a buyer non-CHF currencies in an attempt to hold down the Swiss franc.

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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	68.43					CAD	0.8500 0.9050
NZD/USD	0.6008	-0.0001	-0.0003	-0.0006	-0.0012	CHF	0.5859 0.6238
NZD/AUD	0.9392	-0.0002	-0.0006	-0.0010	-0.0017	CNY	4.2682 4.5445
NZD/JPY	63.75	-0.04	-0.14	-0.28	-0.62	DKK	4.1528 4.4216
NZD/EUR	0.5565	-0.0004	-0.0014	-0.0028	-0.0059	FJD	1.3519 1.4394
NZD/GBP	0.4868	-0.0001	-0.0004	-0.0008	-0.0017	HKD	4.6572 4.9587
						KRW	737.95 785.72
AU TWI	56.90					MYR	2.6117 2.7808
AUD/USD	0.6397	0.0001	0.0001	0.0001	-0.0001	NOK	6.1758 6.5755
AUD/NZD	1.0647	0.0002	0.0007	0.0011	0.0019	SEK	5.9158 6.2988
AUD/JPY	67.88	-0.02	-0.10	-0.23	-0.54	SGD	0.8539 0.9091
AUD/EUR	0.5925	-0.0003	-0.0011	-0.0023	-0.0052	TWD	17.97 19.13
AUD/GBP	0.5183	0.0000	-0.0001	-0.0003	-0.0008	ZAR	11.2472 11.9752
USD Index	100.14						
EUR/USD	1.0796	0.0007	0.0022	0.0044	0.0094	<b>EQUITIES</b>	
USD/JPY	106.12	-0.05	-0.17	-0.36	-0.82	<b>Index</b>	
GBP/USD	1.2342	0.0002	0.0005	0.0009	0.0017	NZX50	10,573
EUR/GBP	0.8747	0.0004	0.0014	0.0029	0.0064	ASX200	5,385
						Dow Jones	23,665
						S&P 500	2,855
						FTSE100	5,854
						DAX 30	10,606
						Nikkei	19,619
						<b>COMMODITIES</b>	
						<b>USD</b>	
						Dubai Light	29.69
						Brent Crude	29.83
						Gold	1,688.30
						Silver	14.92
						CRB Index	129.05

  

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	0.23%	0.20%	0.18%	0.13%
FRA 180d in 6mths	0.19%	0.16%	0.24%	0.20%
1 year swap*	0.24%	0.21%	0.17%	0.16%
2 year swap*	0.23%	0.21%	0.21%	0.20%
3 year swap*	0.26%	0.24%	0.27%	0.26%
5 year swap*	0.38%	0.36%	0.49%	0.47%
10 year swap*	0.78%	0.76%	0.94%	0.92%
10 year Govt bond		0.80%		0.92%

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

SOURCE: Bloomberg

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