



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Friday 8 May 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6078	-0.0006
NZD/AUD	0.9371	-0.0010
NZD/JPY	64.59	-0.28
NZD/EUR	0.5612	-0.0028
NZD/GBP	0.4919	-0.0008
NZD/CNH	4.3115	0.0168
AUD/USD	0.6486	0.0000
AUD/EUR	0.5988	-0.0024
EUR/USD	1.0832	0.0043
USD/CNH	7.1227	0.0348
GBP/USD	1.2357	0.0009
EUR/GBP	0.8766	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.27%	0.10%
2 year swap	0.20%	0.20%
10 year Govt	0.78%	0.93%

## Feeling good heading into non-Farm

Its Friday, so let's talk about US unemployment ... because where they go, we follow!

The number of Americans filling for unemployment increased by a further 3.2 million this week. Initial unemployment claims track the number of people who have filed (but not necessarily received) jobless claims for the first time. Against this, continuing claims measures the total number of people who have received unemployment benefits for at least two weeks. This week continuing claims rose

to 22.6 million, which was 2.8 million above the forecast.

So, what impact did this have on the markets ... well, they kind of liked it! US and European equity markets made slight gains, broadly up a percent, while risk rallied a touch. NZD and AUD are trading at 0.6080 and 0.6485 against the USD, and 0.9375 on the cross. Oil gave back some of its recent gains, with WTI down 3%, and the 10 year US yield has eased 7 pips to 0.63% which will cap the recent firming of NZ rates.

With the physical data releases being negative, why is market sentiment so bullish?? Part of it can be attributed to the announcement that US and Chinese trade negotiators will speak eminently, although its possible trade negotiations are really a ruse to support Mr Trump with his re-election bid should he appear strong at the negotiating table. Meanwhile all bets in financial markets will be off when the non-farm number is released overnight, so, really, it's a calm before the storm.

## Here's to you Mr(s) Robertson

New Zealand Finance Minister, Grant Robertson, was out talking about the domestic economy yesterday and how the economic damage will be felt acutely. He didn't sugar-coat it! The country will be running operating deficits for an extended period and net core crown debt will increase to levels well beyond previous targets. The path to recovery

will be challenging, business investment and confidence will take a hit, and unemployment will rise. And while next week's budget numbers will be sobering, there will be further support for the recovery and rebuild.

The BoE voted unanimously to maintain its bank rate at 0.1% adding that the, "existing stance of monetary policy is appropriate." The MPC also voted by a majority of 7-2 for the BoE to continue with its planned QE programme of an additional GBP200 billion of purchases, taking the total amount to GBP645 billion. The two dissenting members preferred to increase the QE by an additional GBP100 billion. Headlines included the "balance of risks to economic outlook is to the downside," and, "inflation likely to fall below 1% over the next few months."

BoE Governor, Andrew Bailey, then added he "expects the recovery of the economy to happen over time, (although) the effects on demand to go on for around a year after lockdown." Pessimistically he stated he "expects there to be some long-term damage to the capacity of the economy."

Chinese and Australian trade numbers told a similar story with exports up strongly at 8.2% and 15.0%, while imports fell 12.2% and 4.0% respectively. China had a USD45.34 billion surplus while Australia had AUD10.60 billion.

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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	68.92					CAD	0.8510 0.9081
NZD/USD	0.6078	-0.0001	-0.0003	-0.0006	-0.0012	CHF	0.5915 0.6312
NZD/AUD	0.9371	-0.0002	-0.0006	-0.0010	-0.0014	CNY	4.3058 4.5948
NZD/JPY	64.59	-0.03	-0.13	-0.28	-0.60	DKK	4.1866 4.4676
NZD/EUR	0.5612	-0.0004	-0.0013	-0.0028	-0.0057	FJD	1.3723 1.4644
NZD/GBP	0.4919	-0.0001	-0.0004	-0.0008	-0.0015	HKD	4.7114 5.0276
						KRW	741.26 791.02
AU TWI	56.80					MYR	2.6120 2.7873
AUD/USD	0.6486	0.0001	0.0001	0.0000	-0.0003	NOK	6.2382 6.6569
AUD/NZD	1.0671	0.0002	0.0006	0.0011	0.0016	SEK	5.9641 6.3644
AUD/JPY	68.92	-0.02	-0.10	-0.23	-0.54	SGD	0.8596 0.9173
AUD/EUR	0.5988	-0.0003	-0.0011	-0.0024	-0.0052	TWD	18.20 19.42
AUD/GBP	0.5249	0.0000	-0.0001	-0.0003	-0.0009	ZAR	11.3078 12.0667
USD Index	99.88						
EUR/USD	1.0832	0.0006	0.0021	0.0043	0.0091	<b>EQUITIES</b>	
USD/JPY	106.27	-0.05	-0.17	-0.35	-0.79		<b>Index</b>
GBP/USD	1.2357	0.0002	0.0005	0.0009	0.0015	NZX50	10,649
EUR/GBP	0.8766	0.0004	0.0013	0.0029	0.0063	ASX200	5,364
						Dow Jones	23,876
						S&P 500	2,878
						FTSE100	5,936
						DAX 30	10,759
						Nikkei	19,675
						<b>COMMODITIES</b>	
							<b>USD</b>
						Dubai Light	29.69
						Brent Crude	29.09
						Gold	1,717.45
						Silver	15.29
						CRB Index	130.15

  

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	0.21%	0.18%	0.18%	0.13%
FRA 180d in 6mths	0.17%	0.14%	0.23%	0.19%
1 year swap*	0.21%	0.18%	0.17%	0.16%
2 year swap*	0.21%	0.18%	0.21%	0.19%
3 year swap*	0.24%	0.21%	0.27%	0.26%
5 year swap*	0.37%	0.34%	0.48%	0.45%
10 year swap*	0.79%	0.76%	0.89%	0.87%
10 year Govt bond		0.76%		0.93%

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

SOURCE: Bloomberg

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