



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Thursday 16 April 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.5998	-0.0011
NZD/AUD	0.9480	-0.0017
NZD/JPY	64.48	-0.42
NZD/EUR	0.5495	-0.0035
NZD/GBP	0.4786	-0.0013
NZD/CNH	4.2409	0.0031
AUD/USD	0.6328	0.0000
AUD/EUR	0.5797	-0.0027
EUR/USD	1.0916	0.0051
USD/CNH	7.1227	0.0177
GBP/USD	1.2533	0.0012
EUR/GBP	0.8710	0.0033

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.45%	0.15%
2 year swap	0.41%	0.27%
10 year Govt	1.17%	0.92%

Don't worry, President Trump's got it covered

Today, President Trump hosted the first meeting of his new task force, known as the Great American Economic Revival Industry Group, to discuss the reopening of the US economy. The task force, which includes more than 200 businesses and political leaders, said the administration needed to dramatically increase the availability of coronavirus testing before the public would be confident enough to return to work.

Unfortunately, no potential dates were discussed to reopen the economy, and, in an ominous sign, no follow up meeting was arranged.

The Fed's Beige Book, which gathers anecdotal information on the US economy, highlighted that activity contracted sharply and abruptly nationwide. All regions reported a highly uncertain economic outlook, with most expecting conditions to worsen in the next several months. Employment declined across the board with 'severe' job cuts widespread.

While the Beige Book wasn't exactly surprising, it was backed up by the data. Overnight, US retail sales for March fell -8.7% verse the -8.0% expected, while the Empire manufacturing index plunged to -78.2 against a -35.0 estimate. This result smashed the previous record low of -34.3 in 2009.

The Wall Street Journal then reported that the US small business lending program was set to run out of money today. Not a good look! Loans are available to businesses with fewer than 500 employees with the administration stating it had processed 1.3 million applicants totalling USD289 billion in loans.

Finally, any faint optimism capitulated when Fed member, Mary Daly, put hopes of a V shaped recovery to bed, commenting the *"recovery path out of the virus crisis is unlikely to be a swift one,"* adding that she expects, *"something more like negative quarters of growth this year, then gradual return to positive growth next year."*

The rally in risk has come to a halt as economic data and earnings reports

indicate the immense impact in the stoppage of the US economy. US retail sales and factory output posted historic declines in March, while April is looking even worse. US equities have slipped while Treasuries and the USD have rallied; WTI Oil trades around USD20 a barrel as the International Energy Agency said a historic production cut deal won't be enough to counter the demand plunge seen this year. The rally in the USD pulled the NZD/USD back through 0.6000 and trades around 0.5990 at the time of writing, a similar story with the AUD which trades at 0.6320 against the USD.

Anything you can do, we can do better

Not to be outdone in the global splash for cash, the Bank of Canada ("BOC") left interest rates unchanged at 0.25%, but substantially stepped up their QE efforts. The BOC will increase their purchases of Treasury Bills by an additional 40%, announced a Provincial Bond Purchase Program of up to CAD50 billion, and a Corporate Bond Purchase Program purchasing up to CAD10 billion of corporate bonds via the secondary market.

BOC analysis suggests activity will be down 1-3% in the first quarter of 2020 and will be 15-30% lower in the second quarter than in Q4 2019. Finally, just to add some spring cheer, they stated, *"the global economic recovery, when it comes, could be protracted and uneven."*

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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	68.38					CAD	0.8452 0.8916
NZD/USD	0.5998	-0.0002	-0.0005	-0.0011	-0.0021	CHF	0.5784 0.6102
NZD/AUD	0.9480	-0.0003	-0.0009	-0.0017	-0.0032	CNY	4.2390 4.4718
NZD/JPY	64.48	-0.06	-0.20	-0.42	-0.86	DKK	4.1004 4.3255
NZD/EUR	0.5495	-0.0006	-0.0017	-0.0035	-0.0073	FJD	1.3471 1.4211
NZD/GBP	0.4786	-0.0002	-0.0007	-0.0013	-0.0024	HKD	4.6489 4.9042
						KRW	734.60 774.94
AU TWI	56.30					MYR	2.6110 2.7543
AUD/USD	0.6328	0.0000	0.0001	0.0000	-0.0001	NOK	6.2992 6.6451
AUD/NZD	1.0549	0.0004	0.0010	0.0019	0.0036	SEK	6.0173 6.3477
AUD/JPY	68.02	-0.04	-0.15	-0.33	-0.68	SGD	0.8537 0.9006
AUD/EUR	0.5797	-0.0004	-0.0013	-0.0027	-0.0057	TWD	18.02 19.01
AUD/GBP	0.5049	-0.0001	-0.0003	-0.0004	-0.0008	ZAR	11.2169 11.8328
USD Index	99.52						
EUR/USD	1.0916	0.0008	0.0025	0.0051	0.0108	EQUITIES	
USD/JPY	107.50	-0.07	-0.25	-0.52	-1.07		Index
GBP/USD	1.2533	0.0002	0.0007	0.0012	0.0019	NZX50	10,410
EUR/GBP	0.8710	0.0005	0.0015	0.0033	0.0073	ASX200	5,467
						Dow Jones	23,467
						S&P 500	2,782
						FTSE100	5,598
						DAX 30	10,280
						Nikkei	19,550
						COMMODITIES	
							USD
						Dubai Light	22.60
						Brent Crude	28.14
						Gold	1,720.27
						Silver	15.46
						CRB Index	131.25

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.37%	0.33%	0.15%	0.13%
90 day bank bills	0.47%	0.44%	0.17%	0.13%
FRA 90d in 3mths	0.40%	0.32%	0.21%	0.16%
FRA 180d in 6mths	0.39%	0.36%	0.29%	0.25%
1 year swap*	0.41%	0.38%	0.23%	0.21%
2 year swap*	0.42%	0.39%	0.28%	0.26%
3 year swap*	0.46%	0.43%	0.35%	0.34%
5 year swap*	0.59%	0.56%	0.56%	0.55%
10 year swap*	0.98%	0.96%	0.94%	0.92%
10 year Govt bond		1.14%		0.92%

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

SOURCE: Bloomberg

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