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MARKET ALERT

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CURRENCIES	Spot	6mths
NZD/USD	0.5957	-0.0011
NZD/AUD	0.9440	-0.0019
NZD/JPY	64.15	-0.42
NZD/EUR	0.5494	-0.0035
NZD/GBP	0.4785	-0.0013
NZD/CNH	4.2230	0.0057
AUD/USD	0.6310	0.0001
AUD/EUR	0.5819	-0.0026
EUR/USD	1.0843	0.0051
USD/CNH	7.1227	0.0222
GBP/USD	1.2451	0.0012
EUR/GBP	0.8709	0.0032

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.43%	0.14%
2 year swap	0.39%	0.26%
10 year Govt	1.09%	0.85%

Don't panic, Captain Mainwaring

Another initial claims shocker from the US with 5.245 million Americans filing for unemployment benefits last week. This brings the total number of claims over the last four weeks to over 22 million!

Prior to the COVID-19 pandemic, the largest number of Americans to ask for unemployment benefits in a four-week stretch was 2.7 million, in the fall of 1982. On the bright side, it was better than last week's 6.615 million claims, but it was above market expectations of 5.105 million.

Equally poor US data came in the form of the Philadelphia Fed Business Outlook, which headlined at -56.6 against an expected -32.0, and the Housing Starts which plummeted down -22.3% from the previous month's -1.5%.

RBNZ to the rescue ... by half a cent

Yesterday, Reserve Bank of New Zealand ("RBNZ") Governor, Adrian Orr, and Assistant Governor, Christian Hawkesby, spent time during a public parliamentary committee hearing, attempting to jawbone the NZ dollar down, and they did have some success.

By mentioning that the RBNZ hasn't ruled out negative interest rates, that more direct financing is possible, and that the QE program equates to approximately 150bps of easing, they managed to talk the NZD down half a cent against the USD. Other headlines affirmed what we already knew; that the banks were in a strong position prior to the COVID-19 Pandemic, the economic shock is a fiscal policy challenge, and that monetary policy is a support player to fiscal policy.

Interestingly, a lot of these comments were echoed overnight by Fed member Williams who stated, "*fiscal policy plays the main role during a pandemic,*" adding "*the central bank is limited in what we can do and should do, and fiscal policy is playing the main role.*"

Finally, in a warning against those hoping for inflation, "*inflation (is) likely to be lower than we want, not higher.*"

Australian Prime Minister, Scott Morrison, commented that he is contemplating lifting border regulation changes with New Zealand. This would be a first step towards the reopening of borders and fantastic news for New Zealand, given that 50% of our tourism comes from Australia. It would also be a good step for business travellers and a step towards normality, although the reopening of other international borders will be a lot more difficult.

Heads of the International Monetary Fund ("IMF") and World Bank have announced that the G20 countries have agreed on a debt standstill for the world's poorest nations, essentially suspending the repayment of official bilateral credit starting on 1 May. By all accounts, the IMF is facing huge demand as 102 out of the IMF's 189 member countries are seeking assistance. The IMF is prepared to commit up to USD1 trillion in lending to meet demand.

Equity markets couldn't make their minds up in a volatile session overnight as extensions of US state shutdowns tempered a rally in technology stocks. Treasury yields and oil slipped, while gold traded flat and the USD index rallied over 100.

The NZD saw downward pressure after Adrian Orr's comment around negative interest rates, bringing the NZD/USD down to 0.5960 levels.

