



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 19 May 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6038	-0.0007
NZD/AUD	0.9259	-0.0011
NZD/JPY	64.82	-0.28
NZD/EUR	0.5530	-0.0028
NZD/GBP	0.4951	-0.0009
NZD/CNH	4.2985	0.0257
AUD/USD	0.6522	0.0001
AUD/EUR	0.5973	-0.0023
EUR/USD	1.0919	0.0044
USD/CNH	7.1227	0.0506
GBP/USD	1.2196	0.0009
EUR/GBP	0.8953	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.25%
90 day bills	0.26%	0.09%
2 year swap	0.11%	0.16%
10 year Govt	0.64%	0.91%

Take that COVID-19

We have a vaccine ... well, maybe!

A US pharma company, Moderna, reported successful phase one results for a potential COVID-19 vaccine after a trial produced positive antibody responses in all 45 human volunteers tested. Moderna shares spiked 25% and underpinned a broader rally of equity and risk currencies.

US equities are up 3-4% on the positive sentiment, while European markets rallied 5-6% supported by the Moderna and German/France news. The NZD had a stellar night rallying 1.6% against the USD, 1.9% against the JPY, and 1.4%

against the CHF. In absolute levels the NZD and AUD are currently trading at 0.6040 and 0.6520 respectively against the USD.

Likewise, commodity prices also rallied, especially oil, which had a standout session in anticipation of a recovery for airlines. WTI was up 9.75% while Brent firmed a modest 8.00%! Fixed income markets have also had strong sessions, with the US 10 year treasury 12 points higher to be yielding 0.73%. Expect NZ interest rates to open higher this morning as the world prematurely looks towards a V shaped recovery!

Germany and France have joined forces to push for a EUR500 billion recovery fund aimed at stimulating an economic rebound across the EU. This is a significant step when one considers Paris and Berlin disagreed over the issuance of common debt to pay for stimulus.

In announcing the joint initiative, Ms Merkel stated the EU was facing the "gravest crisis in its history," while Mr Macron stated it is "a major step."

We're not out of ammunition

Yesterday Fed Chairman, Jerome Powell, gave an interview on US TV show "60 Minutes" where he forecast unemployment would peak at 20% to 25%. On interest rates he stated, "negative interest rates is probably not an appropriate or useful policy for us," before adding, "we're not out of ammunition, there's really no limit to what we can do with

these lending programs that we have, there's a lot more we can do to support the economy, and we're committed to doing everything we can as long as we need to."

Japan's economy minister, Yasutoshi Nishimura, was bearish on the state of the Japanese economy post their March quarter GDP print, which confirmed Japan was officially in recession for the first time since 2015. The GDP print came out at -0.9% on a quarterly basis and -3.4% annualised. Minister Nishimura highlighted that weakness in external and domestic demand underscored the severe state of Japan's economy.

David Frost, the UK's chief trade negotiator, told cabinet last week that Brussels was now "absolutely clear that we will not extend" the 31 December Brexit deadline, and that "we are prepared to walk away."

NZ services PMI for April printed at 25.9, a record contraction. While all indexes were down, employment 'only' fell to 42.1, possibly due to the government wage subsidy. We've also seen speculation start to build from some of the banks that the RBNZ's QE programme could increase to NZD90 billion at the next MPC meeting in August.

Finally, China's Commerce Minister announced that there have been talks between themselves and Australia, which is good news when one considers China is threatening to impose an 80% tariff on Australian barley.

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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	68.46					CAD	0.8425	0.9099
NZD/USD	0.6038	-0.0001	-0.0004	-0.0007	-0.0009	CHF	0.5872	0.6342
NZD/AUD	0.9259	-0.0003	-0.0007	-0.0011	-0.0012	CNY	4.2926	4.6361
NZD/JPY	64.82	-0.04	-0.14	-0.28	-0.58	DKK	4.1229	4.4528
NZD/EUR	0.5530	-0.0005	-0.0014	-0.0028	-0.0055	FJD	1.3665	1.4759
NZD/GBP	0.4951	-0.0002	-0.0005	-0.0009	-0.0016	HKD	4.6805	5.0550
						KRW	739.61	798.80
AU TWI	57.00					MYR	2.6022	2.8105
AUD/USD	0.6522	0.0000	0.0001	0.0001	-0.0001	NOK	6.0537	6.5381
AUD/NZD	1.0800	0.0003	0.0008	0.0013	0.0015	SEK	5.8551	6.3237
AUD/JPY	70.01	-0.03	-0.09	-0.22	-0.53	SGD	0.8563	0.9248
AUD/EUR	0.5973	-0.0003	-0.0011	-0.0023	-0.0052	TWD	18.10	19.55
AUD/GBP	0.5347	0.0000	-0.0001	-0.0004	-0.0010	ZAR	11.0836	11.9706
USD Index	99.62							
EUR/USD	1.0919	0.0007	0.0021	0.0044	0.0094	EQUITIES		
USD/JPY	107.36	-0.05	-0.16	-0.35	-0.80		Index	
GBP/USD	1.2196	0.0001	0.0005	0.0009	0.0021	NZX50	10,758	
EUR/GBP	0.8953	0.0005	0.0014	0.0029	0.0061	ASX200	5,461	
						Dow Jones	24,609	
						S&P 500	2,965	
						FTSE100	6,049	
						DAX 30	11,059	
						Nikkei	20,134	
						COMMODITIES		
							USD	
						Dubai Light	33.86	
						Brent Crude	35.23	
						Gold	1,730.99	
						Silver	16.89	
						CRB Index	137.06	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.29%	0.26%	0.09%	0.09%
90 day bank bills	0.28%	0.25%	0.11%	0.07%
FRA 90d in 3mths	0.25%	0.22%	0.17%	0.12%
FRA 180d in 6mths	0.17%	0.14%	0.20%	0.16%
1 year swap*	0.20%	0.17%	0.14%	0.13%
2 year swap*	0.12%	0.10%	0.17%	0.15%
3 year swap*	0.12%	0.09%	0.22%	0.21%
5 year swap*	0.21%	0.19%	0.44%	0.41%
10 year swap*	0.60%	0.58%	0.95%	0.93%
10 year Govt bond		0.62%		0.91%

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

SOURCE: Bloomberg

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