



MARKET ALERT

Friday 22 November 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6403	0.0016
NZD/AUD	0.9434	-0.0018
NZD/JPY	69.55	-0.61
NZD/EUR	0.5790	-0.0053
NZD/GBP	0.4965	-0.0014
NZD/CNH	4.5038	0.0321
AUD/USD	0.6787	0.0030
AUD/EUR	0.6137	-0.0045
EUR/USD	1.1058	0.0131
USD/CNH	7.0343	0.0325
GBP/USD	1.2896	0.0069
EUR/GBP	0.8575	0.0056

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.20%	0.89%
2 year swap	1.13%	0.76%
10 year Govt	1.33%	1.07%

Last day in a quiet week

Another day of minor data again forced markets' focus onto geopolitical and trade news, but yesterday was spiced up by another speculative theory of a trade deal between the US and China.

Overnight, Treasury yields edged up, the USD crept lower and US equities were flat because media reports of China's chief negotiator being "cautiously optimistic" of a deal this year slightly outweighed speculation on whether or not Trump will sign a bill supporting Hong Kong protestors.

The AUD took a hit overnight after Moody's downgraded its outlook for the Australian states from 'stable' to 'negative'. The reasons were lower GST collections and higher debt that will make it harder for them to keep growing at a time when state government investment has been driving economic growth. Moody's announcement pushed down the AUD, taking the AUD/USD below 0.6800 despite positive comments on the US/China trade war. The NZD/AUD withstood the lower AUD/USD and held above 0.9430 while the NZD/USD held above 0.6400

OECD joins the growth worriers

In its quarterly Economic Outlook, the OECD joined the growing list of those lamenting slowing global growth, its causes, and threats. The report didn't pull any punches, opening with "the global outlook is fragile, with increasing signs that the cyclical downturn is becoming entrenched. GDP growth remains weak, with a slowdown in almost all economies this year, and global trade is stagnating." And the reason — "a continued deepening of trade policy tensions since May is taking an increasing toll on confidence and investment, further raising policy uncertainty."

In the OECD's view "growth rates are below potential." Specifically, it sees "global GDP growth to have been 2.9% this year and project it to remain around 3% for 2020-21, down from the 3.5% rate projected

a year ago, and the weakest since the global financial crisis."

Mirroring an increasing number of central banks and NGOs (e.g. IMF, World Bank), the OECD recommends that "in many advanced economies, particularly the euro area, using fiscal and structural policies alongside monetary policy would give more support for growth and create fewer financial risks than continuing to rely mainly on monetary policy."

Draghi ends as a peacemaker

The minutes of the ECB's October meeting, released yesterday, showed that, at his last meeting as head of the ECB, Mario Draghi, strived to restore unity among Governing Council members. At the Governing Council's September meeting there was a fierce policy battle between the 'worriers' and 'hawks' that resulted in a compromise decision to lower interest rates and restart QE. Furthermore, Draghi's last meeting seemed to have adopted a familiar central bank mantra — "the measures should be allowed more time to fully unfold their effects" before the ECB acts again.

It is probably no coincidence that the newly installed ECB President, Christine Lagarde, will make her first policy speech today, one day after the minutes of her predecessor's last meeting in charge are released. Given the challenges facing the Eurozone, the ECB's position remains daunting, whomever is its head!

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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	71.08					CAD 0.8503	0.9013
NZD/USD	0.6403	0.0003	0.0008	0.0016	0.0027	CHF 0.6360	0.6741
NZD/AUD	0.9434	-0.0003	-0.0009	-0.0018	-0.0035	CNY 4.5006	4.7706
NZD/JPY	69.55	-0.08	-0.32	-0.61	-1.17	DKK 4.3269	4.5865
NZD/EUR	0.5790	-0.0009	-0.0028	-0.0053	-0.0104	FJD 1.4010	1.4850
NZD/GBP	0.4965	-0.0002	-0.0008	-0.0014	-0.0026	HKD 5.0075	5.3079
						KRW 753.56	798.77
AU TWI	59.10					MYR 2.6797	2.8404
AUD/USD	0.6787	0.0005	0.0016	0.0030	0.0054	NOK 5.8538	6.2050
AUD/NZD	1.0600	0.0004	0.0011	0.0020	0.0040	SEK 6.1746	6.5450
AUD/JPY	73.73	-0.06	-0.27	-0.50	-0.97	SGD 0.8728	0.9252
AUD/EUR	0.6137	-0.0007	-0.0024	-0.0045	-0.0088	TWD 19.55	20.72
AUD/GBP	0.5263	0.0000	-0.0003	-0.0005	-0.0008	ZAR 9.4048	9.9690
USD Index	97.99						
EUR/USD	1.1058	0.0021	0.0069	0.0131	0.0249	EQUITIES	
USD/JPY	108.64	-0.18	-0.65	-1.21	-2.27		Index
GBP/USD	1.2896	0.0011	0.0038	0.0069	0.0122	NZX50	10,958
EUR/GBP	0.8575	0.0009	0.0028	0.0056	0.0111	ASX200	6,673
						Dow Jones	27,795
						S&P 500	3,104
						FTSE100	7,239
						DAX 30	13,138
						Nikkei	23,039
						COMMODITIES	
							USD
						Dubai Light	61.15
						Brent Crude	63.83
						Gold	1,464.75
						Silver	17.08
						CRB Index	190.83

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.22%	1.18%	0.86%	0.84%
90 day bank bills	1.22%	1.18%	0.91%	0.87%
FRA 90d in 3mths	1.23%	1.20%	0.77%	0.72%
FRA 180d in 6mths	1.15%	1.12%	0.80%	0.76%
1 year swap*	1.19%	1.16%	0.76%	0.75%
2 year swap*	1.15%	1.12%	0.76%	0.75%
3 year swap*	1.15%	1.12%	0.78%	0.77%
5 year swap*	1.21%	1.18%	0.98%	0.96%
10 year swap*	1.49%	1.46%	1.27%	1.26%
10 year Govt bond		1.31%		1.07%

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

SOURCE: Bloomberg

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