



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 25 November 2019 | www.bancorptreasury.com

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6408 | 0.0017 |
| NZD/AUD | 0.9434 | -0.0018 |
| NZD/JPY | 69.65 | -0.59 |
| NZD/EUR | 0.5818 | -0.0053 |
| NZD/GBP | 0.4985 | -0.0014 |
| NZD/CNH | 4.5139 | 0.0332 |
| AUD/USD | 0.6794 | 0.0031 |
| AUD/EUR | 0.6168 | -0.0045 |
| EUR/USD | 1.1015 | 0.0130 |
| USD/CNH | 7.0432 | 0.0335 |
| GBP/USD | 1.2859 | 0.0070 |
| EUR/GBP | 0.8566 | 0.0054 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 1.00% | 0.75% |
| 90 day bills | 1.20% | 0.90% |
| 2 year swap | 1.14% | 0.75% |
| 10 year Govt | 1.34% | 1.10% |

PMIs galore

Eurozone and US manufacturing PMIs all rebounded in November, suggesting that the global manufacturing slump may have bottomed out and that progress on the US/China trade dispute is giving manufacturers more confidence in their outlook.

The Eurozone manufacturing PMI rose from 45.9 to 46.6 in October. Germany, the recent drag on the overall PMI for the Eurozone, increased from 42.1 to 43.8, far better than expected. Even though the Eurozone and German manufacturing PMIs rebounded, they are

still deep inside contractionary territory. As a result, the euro weakened.

UK manufacturing and services PMIs fell by more than expected. The manufacturing PMI fell from 49.6 in October to 48.6, against expectations for a fall to 48.9. The services PMI (a more significant measure for the UK, given the City of London's finance industry) fell from 50.0 to 48.6, against expectations for a slight rise to 50.1. The GBP fell on the PMI release.

The US Markit Manufacturing PMI beat expectations, increasing from 51.3 in October to 52.2 in November, which gave the USD and Treasury yields the gentlest of lifts, that had no flow on to the NZD.

Lagarde's first public speech

Newly installed ECB President, Christine Lagarde's, first public speech on Friday contained nothing controversial and little about monetary policy. She repeated her previous urgings for increased government spending, and specifically, for governments to "innovate and invest" in digital and green technologies to support growth. She also claimed that the ECB's ultra-loose monetary policy would "achieve its goal faster and with fewer side effects" if Eurozone governments supported it with fiscal policy.

Being short on detail and long on rhetoric, Lagarde's speech had no impact on the euro.

US/China trade talks keep markets on edge

Trade talks between the US and China hit another potential obstacle last week when *The Hong Kong Human Rights and Democracy Act* flew through both houses of Congress — only one vote against in the House of Representatives and unanimously in the Senate.

It now awaits President Donald Trump's signature or veto. A veto seems unlikely given the voting and Congress's power to overturn a presidential veto with a two thirds majority vote.

The Act requires the US State Department to certify at least once a year that Hong Kong retains enough autonomy to qualify for its special US trade status. The Chinese have made it clear that they are uncomfortable with what they regard as the US interfering in internal Chinese affairs. China's Foreign Minister Wang Yi said at the G20 Foreign Ministers meeting on the weekend that "we regret to see that some politicians in the United States are now smearing, attacking, slandering China to a level close to madness."

US and Chinese trade negotiators have yet to agree the final detail of, and a date and venue for signing the Phase 1 trade agreement. Unresolved key issues range from tariff reductions to intellectual property protection. Time is running out for 2019, especially with Thanksgiving on Thursday — when the whole US turns to thoughts of family, Christmas and the new year.

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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 | 71.23 | | | | | CAD | 0.8520 0.9025 |
| NZD/USD | 0.6410 | 0.0003 | 0.0009 | 0.0016 | 0.0028 | CHF | 0.6397 0.6776 |
| NZD/AUD | 0.9440 | -0.0003 | -0.0010 | -0.0018 | -0.0036 | CNY | 4.5122 4.7798 |
| NZD/JPY | 69.66 | -0.08 | -0.32 | -0.60 | -1.18 | DKK | 4.3457 4.6034 |
| NZD/EUR | 0.5815 | -0.0008 | -0.0028 | -0.0053 | -0.0105 | FJD | 1.4037 1.4870 |
| NZD/GBP | 0.4988 | -0.0002 | -0.0008 | -0.0014 | -0.0028 | HKD | 5.0152 5.3127 |
| | | | | | | KRW | 756.78 801.68 |
| AU TWI | 59.00 | | | | | MYR | 2.6774 2.8362 |
| AUD/USD | 0.6789 | 0.0005 | 0.0016 | 0.0030 | 0.0055 | NOK | 5.8713 6.2196 |
| AUD/NZD | 1.0593 | 0.0003 | 0.0011 | 0.0020 | 0.0041 | SEK | 6.1722 6.5383 |
| AUD/JPY | 73.78 | -0.06 | -0.27 | -0.50 | -0.97 | SGD | 0.8745 0.9264 |
| AUD/EUR | 0.6159 | -0.0006 | -0.0024 | -0.0045 | -0.0088 | TWD | 19.60 20.76 |
| AUD/GBP | 0.5283 | 0.0000 | -0.0003 | -0.0005 | -0.0010 | ZAR | 9.4346 9.9942 |
| USD Index | 98.27 | | | | | | |
| EUR/USD | 1.1022 | 0.0020 | 0.0069 | 0.0130 | 0.0251 | EQUITIES | |
| USD/JPY | 108.68 | -0.17 | -0.65 | -1.21 | -2.29 | | Index |
| GBP/USD | 1.2850 | 0.0011 | 0.0039 | 0.0070 | 0.0128 | NZX50 | 10,942 |
| EUR/GBP | 0.8577 | 0.0008 | 0.0028 | 0.0054 | 0.0109 | ASX200 | 6,710 |
| | | | | | | Dow Jones | 27,876 |
| | | | | | | S&P 500 | 3,110 |
| | | | | | | FTSE100 | 7,327 |
| | | | | | | DAX 30 | 13,164 |
| | | | | | | Nikkei | 23,113 |
| | | | | | | | |
| | | | | | | COMMODITIES | |
| | | | | | | | USD |
| | | | | | | Dubai Light | 63.19 |
| | | | | | | Brent Crude | 63.39 |
| | | | | | | Gold | 1,461.54 |
| | | | | | | Silver | 17.00 |
| | | | | | | CRB Index | 190.58 |
| | | | | | | | |
| INTEREST RATES | | New Zealand | | Australia | | | |
| | | Borrow | Invest | Borrow | Invest | | |
| 30 day bank bills | | 1.21% | 1.17% | 0.85% | 0.83% | | |
| 90 day bank bills | | 1.23% | 1.19% | 0.91% | 0.87% | | |
| FRA 90d in 3mths | | 1.16% | 1.13% | 0.78% | 0.73% | | |
| FRA 180d in 6mths | | 1.16% | 1.13% | 0.80% | 0.76% | | |
| 1 year swap* | | 1.16% | 1.14% | 0.76% | 0.75% | | |
| 2 year swap* | | 1.15% | 1.12% | 0.76% | 0.75% | | |
| 3 year swap* | | 1.16% | 1.13% | 0.78% | 0.78% | | |
| 5 year swap* | | 1.23% | 1.20% | 0.97% | 0.96% | | |
| 10 year swap* | | 1.52% | 1.49% | 1.26% | 1.26% | | |
| 10 year Govt bond | | | 1.33% | | 1.09% | | |

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

SOURCE: Bloomberg

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