



MARKET ALERT

Tuesday 26 November 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6404	0.0017
NZD/AUD	0.9453	-0.0017
NZD/JPY	69.77	-0.60
NZD/EUR	0.5817	-0.0053
NZD/GBP	0.4965	-0.0014
NZD/CNH	4.5021	0.0345
AUD/USD	0.6775	0.0031
AUD/EUR	0.6155	-0.0045
EUR/USD	1.1007	0.0131
USD/CNH	7.0307	0.0350
GBP/USD	1.2899	0.0071
EUR/GBP	0.8534	0.0054

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.21%	0.88%
2 year swap	1.13%	0.74%
10 year Govt	1.33%	1.09%

US/China trade dominate on data light day

On another day with little market moving data, markets yesterday reacted to a report of progress in US/China trade talks by the Global Times, a tabloid paper run by China’s Communist Party’s official newspaper (People’s Daily). The Global Times reported that China and the US are “moving closer to agreeing” on a Phase 1 deal. Furthermore, it claimed that China “remains committed to continuing talks for a phase two and even a phase three deal.”

The report comes a few days after

Chinese media reports that the Chinese government is looking to increase penalties and punishments for patent infringement, which directly addresses one of the US’s key complaints, and a Chinese invitation for the two top US trade negotiators to hold face to face talks in Beijing.

The optimistic Chinese media reports caused a wave of optimism in financial markets that saw US stockmarkets and industrialised commodity prices rally and the gold price fall. The USD rose fractionally but Treasury yields fell 2 bps across the curve and crude oil prices fell, which shows a lack of conviction in some quarters about progress on US/China trade talks.

The NZD/USD though was unaffected by this optimism and clung to 0.6400. The AUD however suffered with the AUD/USD falling further away from 0.6800, which lifted the NZD/AUD above 0.9450.

Not so good second tier data

The closely watched German Ifo Institute’s business confidence survey reported a lift in its business climate measure, from 94.7 in October to 95.0 in November. Similarly, the current situation index improved from 97.8 in October to 97.9 in November as did the expectations index — rising from 91.6 to 92.14. Despite the lift in these measures, they remain below 100, i.e. still in contractionary territory, just like the

German manufacturing and services PMIs.

Two regional Fed surveys released overnight showed worrying signs for the US. The Chicago Fed’s survey reported a decline in its activity index from -0.45 in September to -0.71 in October with a similar fall in the three month average, from -0.21 to -0.31. Conversely, the Dallas Fed’s survey reported a lift in the overall activity index from -5.1 in October to -1.3 in November, but activity remains in contractionary territory and the Dallas Fed’s manufacturing activity index fell from +4.5 in October to -2.4 in November.

Hong Kong remains a nuisance for China

Hong Kong local elections held on Sunday resulted in 85% of the District Council seats allocated to pro-democracy candidates, a shift of more than 50%.

Approximately 3 million people cast ballots in the first vote since the unrest began, for a record turnout of 71%.

While the protests over recent months have disrupted Hong Kong, the election results showed that the public remains firmly against Beijing appointed Chief Executive, Carrie Lam.

Asian markets reacted positively to the election result, but the smart money continues to back China to win this tussle, although it could take a long time to resolve.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

Tuesday 26 November 2019 | www.bancorptreasury.com

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	71.19					CAD 0.8523	0.9016
NZD/USD	0.6404	0.0003	0.0009	0.0017	0.0028	CHF 0.6382	0.6752
NZD/AUD	0.9453	-0.0003	-0.0009	-0.0017	-0.0036	CNY 4.5058	4.7667
NZD/JPY	69.77	-0.08	-0.33	-0.60	-1.18	DKK 4.3470	4.5988
NZD/EUR	0.5817	-0.0008	-0.0029	-0.0053	-0.0105	FJD 1.4017	1.4829
NZD/GBP	0.4965	-0.0002	-0.0008	-0.0014	-0.0028	HKD 5.0115	5.3017
						KRW 751.92	795.47
AU TWI	59.10					MYR 2.6815	2.8368
AUD/USD	0.6775	0.0005	0.0016	0.0031	0.0056	NOK 5.8855	6.2264
AUD/NZD	1.0579	0.0003	0.0011	0.0019	0.0041	SEK 6.1786	6.5365
AUD/JPY	73.81	-0.06	-0.27	-0.50	-0.96	SGD 0.8744	0.9250
AUD/EUR	0.6155	-0.0007	-0.0024	-0.0045	-0.0088	TWD 19.55	20.68
AUD/GBP	0.5252	0.0000	-0.0004	-0.0005	-0.0010	ZAR 9.4503	9.9977
USD Index	98.34						
EUR/USD	1.1007	0.0020	0.0069	0.0131	0.0252	EQUITIES	
USD/JPY	108.96	-0.17	-0.66	-1.22	-2.31		Index
GBP/USD	1.2899	0.0011	0.0040	0.0071	0.0130	NZX50	10,954
EUR/GBP	0.8534	0.0008	0.0027	0.0054	0.0108	ASX200	6,731
						Dow Jones	28,015
						S&P 500	3,129
						FTSE100	7,396
						DAX 30	13,246
						Nikkei	23,293
						COMMODITIES	
							USD
						Dubai Light	62.92
						Brent Crude	63.51
						Gold	1,455.99
						Silver	16.90
						CRB Index	190.55
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%	0.90%	0.86%		
FRA 90d in 3mths		1.23%	1.20%	0.77%	0.72%		
FRA 180d in 6mths		1.15%	1.11%	0.79%	0.75%		
1 year swap*		1.17%	1.14%	0.75%	0.74%		
2 year swap*		1.15%	1.12%	0.75%	0.74%		
3 year swap*		1.16%	1.13%	0.78%	0.77%		
5 year swap*		1.22%	1.19%	0.96%	0.96%		
10 year swap*		1.50%	1.47%	1.25%	1.24%		
10 year Govt bond			1.31%		1.09%		

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

SOURCE: Bloomberg

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.