



MARKET ALERT

Wednesday 27 November 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6427	0.0017
NZD/AUD	0.9468	-0.0017
NZD/JPY	70.09	-0.60
NZD/EUR	0.5831	-0.0053
NZD/GBP	0.4996	-0.0014
NZD/CNH	4.5087	0.0341
AUD/USD	0.6788	0.0030
AUD/EUR	0.6158	-0.0045
EUR/USD	1.1022	0.0130
USD/CNH	7.0160	0.0344
GBP/USD	1.2863	0.0071
EUR/GBP	0.8569	0.0054

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.22%	0.88%
2 year swap	1.14%	0.72%
10 year Govt	1.32%	1.08%

Progress on trade talks lifts sentiment

More positive comments yesterday from China regarding their trade talks with the US lifted risk sentiment.

China’s Commerce Ministry said that a call between China’s chief trade negotiator, Liu He, and his US counterparts, Trade Representative Robert Lighthizer, and Treasury Secretary, Steven Mnuchin, had resulted in “a consensus on properly resolving related issues.” Not great progress but a step forward.

Markets reacted positively, resulting in the yuan, equities and commodity prices rising and bond yields falling, albeit slightly. The currencies’ response was muted and not so much positive, as less negative, which meant that the NZD cemented the day’s gains.

Retail spending surged in September quarter

New Zealand households spent up large in the September quarter. The volume of core retail sales in the September quarter was up 1.8% after a miserable 0.3% rise in June. Adding motor vehicle and fuel sales, the total volume of retail spending in the quarter was up 1.6%, after an even more miserable 0.2% rise in June.

Similarly, the value of core retail sales was up 1.9% over the September quarter, after a 0.6% rise in June. Adding motor vehicle and fuel sales, the total value of retail spending in the September quarter was up 1.4%, from 0.7% in June.

The greatest spending over the September quarter was on household goods (department stores, hardware, building, garden supplies, electrical goods and recreational goods).

The September quarter’s retails sales outperformed market predictions, which lifted the NZD across the board albeit slightly. Interest rates were unmoved because the solid retail sales data endorsed the RBNZ’s wait and see OCR stance. The RBNZ is expected to display

a similar wait and see stance towards lending conditions in today’s six monthly Financial Stability Report.

Powell — glass is “much more than half full”

In a speech yesterday, Fed Chair, Jerome Powell, repeated the Fed’s contention that it has finished cutting rates, for now. He repeated that the Fed is “strongly committed to symmetrically and sustainably achieving our 2 percent inflation objective.” He noted that, like many other central banks, the Fed is concerned about “the still low labour force participation rate in the US as well as the fairly muted wage gains” and diminishing monetary policy effectiveness due to a falling neutral cash rate.

According to Powell, US “monetary policy is now well positioned to support a strong labour market and return inflation decisively to” the Fed’s 2.0% target, “at this point in the long expansion, I see the glass as much more than half full” and “with the right policies, we can fill it further.” However, “if the outlook changes materially, policy will change as well.”

Powell’s speech is significant because it is his first public comment since his sit down with Donald Trump. Given the obvious optimistic tone of the speech, he could (should, in our view) have added to the latter sentence “until then, we don’t need to cut interest rates, Mr Trump!”

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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	71.39					CAD 0.8532	0.9012
NZD/USD	0.6427	0.0003	0.0009	0.0017	0.0028	CHF 0.6409	0.6769
NZD/AUD	0.9468	-0.0003	-0.0009	-0.0017	-0.0036	CNY 4.5200	4.7742
NZD/JPY	70.09	-0.08	-0.33	-0.60	-1.18	DKK 4.3563	4.6013
NZD/EUR	0.5831	-0.0008	-0.0028	-0.0053	-0.0105	FJD 1.4088	1.4881
NZD/GBP	0.4996	-0.0002	-0.0008	-0.0014	-0.0028	HKD 5.0308	5.3138
						KRW 754.51	796.95
AU TWI	59.00					MYR 2.6851	2.8361
AUD/USD	0.6788	0.0005	0.0016	0.0030	0.0056	NOK 5.8907	6.2220
AUD/NZD	1.0562	0.0003	0.0010	0.0019	0.0040	SEK 6.1602	6.5067
AUD/JPY	74.03	-0.06	-0.28	-0.50	-0.97	SGD 0.8767	0.9260
AUD/EUR	0.6158	-0.0007	-0.0024	-0.0045	-0.0088	TWD 19.60	20.70
AUD/GBP	0.5277	-0.0001	-0.0004	-0.0005	-0.0009	ZAR 9.5180	10.0533
USD Index	98.27						
EUR/USD	1.1022	0.0022	0.0068	0.0130	0.0251	EQUITIES	
USD/JPY	109.07	-0.18	-0.66	-1.22	-2.31		Index
GBP/USD	1.2863	0.0012	0.0039	0.0071	0.0129	NZX50	11,045
EUR/GBP	0.8569	0.0009	0.0027	0.0054	0.0108	ASX200	6,788
						Dow Jones	28,086
						S&P 500	3,136
						FTSE100	7,403
						DAX 30	13,236
						Nikkei	23,373
						COMMODITIES	
							USD
						Dubai Light	62.81
						Brent Crude	63.82
						Gold	1,462.40
						Silver	17.10
						CRB Index	190.81

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.20%	1.16%	0.85%	0.83%
90 day bank bills	1.24%	1.20%	0.90%	0.86%
FRA 90d in 3mths	1.21%	1.18%	0.75%	0.70%
FRA 180d in 6mths	1.14%	1.12%	0.77%	0.73%
1 year swap*	1.18%	1.15%	0.74%	0.73%
2 year swap*	1.16%	1.13%	0.73%	0.72%
3 year swap*	1.17%	1.14%	0.75%	0.74%
5 year swap*	1.22%	1.20%	0.94%	0.93%
10 year swap*	1.49%	1.47%	1.24%	1.23%
10 year Govt bond		1.30%		1.08%

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

SOURCE: Bloomberg

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