



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 29 November 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6416	0.0017
NZD/AUD	0.9482	-0.0019
NZD/JPY	70.26	-0.61
NZD/EUR	0.5828	-0.0053
NZD/GBP	0.4970	-0.0014
NZD/CNH	4.5124	0.0339
AUD/USD	0.6767	0.0031
AUD/EUR	0.6147	-0.0044
EUR/USD	1.1009	0.0132
USD/CNH	7.0330	0.0340
GBP/USD	1.2911	0.0071
EUR/GBP	0.8526	0.0054
INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.23%	0.89%
2 year swap	1.13%	0.68%
10 year Govt	1.28%	1.00%

Trump sides with Congress over the Chinese

Donald Trump celebrated Thanksgiving by signing into law the *Hong Kong Human Rights and Democracy Act* in November with only one dissenting vote in the whole of Congress, making it virtually veto-proof.

The Act, which 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, has been widely condemned by the Chinese media.

China's response has been restrained, so far. Earlier in the week, China summoned the US Ambassador to China and formally warned him (and the US government) that the Act constituted a meddling in China's internal affairs and, if signed into law, would result in consequences. The Ambassador was summoned again yesterday, and China's displeasure again conveyed.

Markets, wary of a stronger Chinese response, reacted immediately with an instant risk off shift that saw the yuan (both CNY and CNH), NZD, AUD and Asian stockmarkets weaken, while the JPY, CHF, USD and the gold price strengthened. However, with China's restrained response, and US markets closed yesterday (and likely to be sparsely populated and thinly traded today), the current consensus is that the Act will not deflect China's determination to secure a trade deal, limiting markets' follow through to the original move. As a result of that lack of follow through, and the release of a much stronger than expected rebound in business confidence, the NZD/USD has remained above 0.6400 and within sight of the increasingly significant resistance level around 0.6450.

Markets will be closely watching today's official USD/CNY rate set. In recent weeks, the official rate has reflected progress, or lack thereof, in the trade talks between the US and China with it going up (i.e. weaker yuan) when talks stall and down (i.e. weaker USD) when talks make headway.

Business confidence skyrockets, taking NZD with it

The ANZ Business Outlook survey recorded a spectacular rebound in business confidence in November. The survey's headline confidence index jumped from minus 42.4% to minus 26.4%. Still negative but the best (least negative) this year.

What set markets reeling were that all measures improved and the return to positivity by two key measures. The Own Activity Outlook index (normally, a reliable guide to underlying economic growth) jumped from minus 3.5% to positive 12.9% and employment intentions jumped from minus 9.4% to positive 3.2%.

Consensus was for a slight rebound but definitely not for one of the size and breadth of the actual rebound. The NZD jumped on the survey's release with such force that the NZD/USD quickly rose to where it was prior to the news about Trump signing into law the *Hong Kong Human Rights and Democracy Act*. The resilient NZD/USD, in the context of the risk off shift, and a stronger USD, saw the NZD surge against its other cross rates.

Swap rates also rose but the rise was offset by the global risk off sentiment and US markets closed for Thanksgiving (and did not provide their usual global leadership on trade related reactions).

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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	71.37					CAD	0.8521 0.8986
NZD/USD	0.6416	0.0003	0.0009	0.0017	0.0029	CHF	0.6410 0.6760
NZD/AUD	0.9482	-0.0003	-0.0009	-0.0019	-0.0040	CNY	4.5140 4.7609
NZD/JPY	70.26	-0.16	-0.33	-0.61	-1.18	DKK	4.3544 4.5925
NZD/EUR	0.5828	-0.0011	-0.0028	-0.0053	-0.0105	FJD	1.4061 1.4830
NZD/GBP	0.4970	-0.0004	-0.0008	-0.0014	-0.0027	HKD	5.0220 5.2966
						KRW	756.16 797.51
AU TWI	58.80					MYR	2.6810 2.8276
AUD/USD	0.6767	0.0006	0.0016	0.0031	0.0060	NOK	5.8828 6.2045
AUD/NZD	1.0547	0.0003	0.0010	0.0021	0.0045	SEK	6.1307 6.4659
AUD/JPY	74.10	-0.15	-0.28	-0.49	-0.93	SGD	0.8764 0.9243
AUD/EUR	0.6147	-0.0010	-0.0024	-0.0044	-0.0085	TWD	19.56 20.63
AUD/GBP	0.5241	-0.0003	-0.0004	-0.0005	-0.0006	ZAR	9.4479 9.9645
USD Index	98.34						
EUR/USD	1.1009	0.0027	0.0069	0.0132	0.0253	EQUITIES	
USD/JPY	109.51	-0.31	-0.67	-1.23	-2.32		Index
GBP/USD	1.2911	0.0018	0.0040	0.0071	0.0130	NZX50	11,207
EUR/GBP	0.8526	0.0009	0.0027	0.0054	0.0109	ASX200	6,864
						Dow Jones	28,164
						S&P 500	3,154
						FTSE100	7,416
						DAX 30	13,246
						Nikkei	23,409
						COMMODITIES	
							USD
						Dubai Light	62.64
						Brent Crude	63.87
						Gold	1,448.76
						Silver	16.87
						CRB Index	190.60

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.19%	1.15%	0.84%	0.82%
90 day bank bills	1.25%	1.21%	0.91%	0.87%
FRA 90d in 3mths	1.20%	1.13%	0.72%	0.67%
FRA 180d in 6mths	1.15%	1.12%	0.72%	0.68%
1 year swap*	1.17%	1.14%	0.71%	0.70%
2 year swap*	1.14%	1.11%	0.68%	0.67%
3 year swap*	1.15%	1.12%	0.70%	0.69%
5 year swap*	1.21%	1.18%	0.89%	0.88%
10 year swap*	1.48%	1.45%	1.20%	1.19%
10 year Govt bond		1.26%		1.00%

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

SOURCE: Bloomberg

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