



# MARKET ALERT

Friday 1 November 2019 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6407	0.0019
NZD/AUD	0.9305	-0.0009
NZD/JPY	69.19	-0.59
NZD/EUR	0.5750	-0.0050
NZD/GBP	0.4953	-0.0010
NZD/CNH	4.5177	0.0355
AUD/USD	0.6886	0.0027
AUD/EUR	0.6180	-0.0048
EUR/USD	1.1141	0.0132
USD/CNH	7.0520	0.0345
GBP/USD	1.2934	0.0065
EUR/GBP	0.8614	0.0058

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.09%	0.94%
2 year swap	1.03%	0.82%
10 year Govt	1.31%	1.14%

## Markets update

The USD Index, Treasury yields (and European and UK bond yields) and US equities fell overnight because of renewed uncertainty around the US/China trade war, more weak US manufacturing data, a more hawkish than expected FOMC statement, and the House of Representatives taking its first formal step to impeach President Trump.

The US manufacturing gauge missed expectations, jobless claims rose more than forecast and the Fed’s preferred inflation measure (PCE core price index) rose a mere 1.7% over the September year which created increased nervousness around tonight’s US labour

market data. Markets expect the recently slowing labour market momentum to be maintained with non-farm payrolls up 90,000 from 136,000 and the unemployment rate lifting from 3.5% to 3.6%.

Chinese officials are casting doubts about reaching a comprehensive long term trade deal with the US even as the two sides prepare to sign a phase one agreement. The Chinese remain concerned around President Trump’s impulsive and unpredictable nature.

The 10 year Treasury yield slipped below 1.70% overnight (it hit 1.86% on Monday), as markets remain unconvinced that the Fed has finished its easing, despite the FOMC’s hawkish language, with another Fed rate cut priced in for April 2020.

## Swings and roundabouts of business confidence

The ANZ Business Outlook survey reported an improvement in overall business confidence in October to a less pessimistic -42.5%, from -53.5% in September. However, the more closely watched Own Activity measure (because of its potential linkage to GDP) worsened from -1.8% to -2.5%. As with these two headline measures, the details within the survey were also mixed. The only conclusion from the survey is that businesses were not any more pessimistic.

The Business Outlook survey had no impact on the NZD. Local swap rates that reacted to offshore influences —

specifically latent risk off sentiment — that pushed the NZD/USD above 0.6400, the AUD/USD above 0.6900 for the first time since July, and lifted local swap rates (with the 2 year swap rate rising to its highest since the immediate aftermath of the RBNZ’s surprise 50 bps OCR cut on 7 August). Some of that risk off sentiment was unwound overnight but the NZD/USD held above 0.6400 despite the AUD/USD dipping back below 0.6900, which lifted the NZD/AUD above 0.9300.

## Lagarde in charge

Christine Lagarde takes over as ECB President today. Data overnight showed the size of the challenge that she faces despite a period of negative deposit rates and substantial bond buying by her predecessor at the ECB.

Eurozone GDP rose a mere 0.2% over the September quarter and 1.1% over the year, the unemployment rate was steady at 7.5% in September, and core inflation was 1.1% over the September year.

Adding to Lagarde’s economic challenges are divisions within the ECB’s Governing Council about what the ECB should do next, reluctance by many Eurozone governments to provide fiscal stimulus, a stubbornly strong EUR, and global threats (trade disputes, Brexit and geopolitical threats).

Perhaps Lagarde’s easiest challenge is ‘correcting’ the inappropriately strong EUR.

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.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# DAILY RATES

Friday 1 November 2019 | www.bancorptreasury.com

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	70.81					<b>CAD</b> 0.8437	0.9067
NZD/USD	0.6407	0.0004	0.0011	0.0019	0.0031	<b>CHF</b> 0.6323	0.6796
NZD/AUD	0.9305	-0.0002	-0.0006	-0.0009	-0.0016	<b>CNY</b> 4.5093	4.8463
NZD/JPY	69.19	-0.08	-0.31	-0.59	-1.13	<b>DKK</b> 4.2962	4.6173
NZD/EUR	0.5750	-0.0008	-0.0027	-0.0050	-0.0099	<b>FJD</b> 1.3968	1.5013
NZD/GBP	0.4953	-0.0002	-0.0006	-0.0010	-0.0020	<b>HKD</b> 5.0215	5.3969
						<b>KRW</b> 749.98	806.04
AU TWI	60.00					<b>MYR</b> 2.6802	2.8805
AUD/USD	0.6886	0.0006	0.0016	0.0027	0.0046	<b>NOK</b> 5.8977	6.3385
AUD/NZD	1.0747	0.0003	0.0006	0.0011	0.0019	<b>SEK</b> 6.1923	6.6551
AUD/JPY	74.37	-0.07	-0.29	-0.56	-1.09	<b>SGD</b> 0.8721	0.9372
AUD/EUR	0.6180	-0.0007	-0.0025	-0.0048	-0.0096	<b>TWD</b> 19.55	21.01
AUD/GBP	0.5324	-0.0001	-0.0004	-0.0006	-0.0012	<b>ZAR</b> 9.6684	10.3910
USD Index	97.37						
EUR/USD	1.1141	0.0022	0.0071	0.0132	0.0251	<b>EQUITIES</b>	
USD/JPY	108.01	-0.18	-0.66	-1.23	-2.28		<b>Index</b>
GBP/USD	1.2934	0.0012	0.0039	0.0065	0.0115	<b>NZX50</b>	10,788
EUR/GBP	0.8614	0.0009	0.0029	0.0058	0.0116	<b>ASX200</b>	6,663
						<b>Dow Jones</b>	26,943
						<b>S&amp;P 500</b>	3,027
						<b>FTSE100</b>	7,248
						<b>DAX 30</b>	12,867
						<b>Nikkei</b>	22,927
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	59.30
						<b>Brent Crude</b>	59.53
						<b>Gold</b>	1,511.11
						<b>Silver</b>	18.06
						<b>CRB Index</b>	186.73

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.21%	1.17%	0.91%	0.89%
90 day bank bills	1.14%	1.10%	0.96%	0.92%
FRA 90d in 3mths	1.11%	1.08%	0.90%	0.85%
FRA 180d in 6mths	1.02%	0.99%	0.91%	0.87%
1 year swap*	1.06%	1.02%	0.86%	0.85%
2 year swap*	1.04%	1.01%	0.82%	0.82%
3 year swap*	1.05%	1.02%	0.85%	0.84%
5 year swap*	1.12%	1.09%	1.02%	1.01%
10 year swap*	1.43%	1.40%	1.28%	1.28%
10 year Govt bond		1.29%		1.14%

\* 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.