



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 4 November 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6441	0.0019
NZD/AUD	0.9310	0.0008
NZD/JPY	69.70	-0.58
NZD/EUR	0.5767	-0.0050
NZD/GBP	0.4980	-0.0010
NZD/CNH	4.5314	0.0356
AUD/USD	0.6919	0.0015
AUD/EUR	0.6195	-0.0059
EUR/USD	1.1169	0.0133
USD/CNH	7.0351	0.0340
GBP/USD	1.2934	0.0066
EUR/GBP	0.8635	0.0058

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.12%	0.93%
2 year swap	1.02%	0.87%
10 year Govt	1.27%	1.10%

Markets update

The NZD/USD and AUD/USD defied the stronger USD that was lifted by better than expected US labour market data on Friday. The US data, slightly better than expected Chinese and UK manufacturing PMIs and conciliatory language from the US and China on their trade talks, generated improved investor risk sentiment that kept the NZD/USD above 0.6400 and the AUD/USD above 0.6900.

The lift in market risk sentiment over the weekend should push up local swap rates this morning.

The NZD/USD and AUD/USD ended the week on a high, having already been boosted by the official Chinese central parity rate for the USD/CNY falling from 7.0749 to 7.0437 over the week.

Resilient US labour markets

US labour market data on Friday defied worries about the US/China trade war and the long running strike at GM. The US added 128,000 non farm payrolls in October, beating consensus for around 90,000. Furthermore, the previous two month's payrolls gains were revised up by a total of 95,000. The unemployment rate rose from 3.5% to 3.6%. Average hourly earnings rose from 2.9% in the September year to 3.0% in October.

The bad news of the fall in jobs in the manufacturing sector and the higher unemployment rate was not bad news really. The number of jobs lost in the manufacture of cars and parts fell by more than the whole manufacturing sector. September's 3.5% unemployment rate was the lowest since December and the participation rate also rose, from 63.2% to 63.3%, its highest since August 2013. The labour market data was strong enough to counter any worries about an imminent US recession and curbed some market enthusiasm for further Fed rate cuts. That, in turn, lifted Treasury yields, the USD and US stockmarkets. Also, crude oil prices rose and the gold price fell as risk sentiment improved.

More mixed Australian signals

Australian house prices lifted again in October for the fourth straight month. According to CoreLogic, the average national house price rose 1.2% in October, the biggest rise since May 2015. All capital cities, except for Perth, recorded house price rises in October with Melbourne and Sydney well ahead of the rest. Australian house prices were still down 2.3% over the year but that fall is shrinking every month.

The AIG PMI fell from 54.7 in September to 51.6 in October, more than wiping out September's 1.6 points gain. Although production and exports sub-indices rose in October, there were worrying falls in new orders, employment and finished stocks. Australian manufacturing activity remains expansionary, but the pace is slowing and forward indicators hint at tough times ahead.

The RBA expected a rebound in house prices due to easing of lending restrictions and lower mortgage rates following the 75 bps of cash rate cuts since June. However, the weaker manufacturing sector will be of concern to it ahead of tomorrow's meeting. The AUD weakened fractionally after the data was released but quickly rebounded, pulled along by the stronger CNY and NZD.

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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	71.02					CAD 0.8445	0.9085
NZD/USD	0.6427	0.0004	0.0011	0.0019	0.0034	CHF 0.6336	0.6817
NZD/AUD	0.9295	0.0001	0.0004	-0.0001	0.0000	CNY 4.5234	4.8665
NZD/JPY	69.57	-0.08	-0.29	-0.58	-1.14	DKK 4.3002	4.6264
NZD/EUR	0.5759	-0.0008	-0.0027	-0.0050	-0.0098	FJD 1.3998	1.5059
NZD/GBP	0.4974	-0.0002	-0.0007	-0.0010	-0.0018	HKD 5.0372	5.4193
						KRW 748.69	805.48
AU TWI	59.80					MYR 2.6781	2.8812
AUD/USD	0.6916	0.0003	0.0009	0.0021	0.0036	NOK 5.8431	6.2863
AUD/NZD	1.0758	-0.0002	-0.0005	0.0001	0.0000	SEK 6.1437	6.6097
AUD/JPY	74.84	-0.10	-0.34	-0.62	-1.22	SGD 0.8737	0.9400
AUD/EUR	0.6193	-0.0009	-0.0031	-0.0054	-0.0106	TWD 19.58	21.06
AUD/GBP	0.5345	-0.0003	-0.0009	-0.0011	-0.0020	ZAR 9.6603	10.3930
USD Index	97.24						
EUR/USD	1.1168	0.0021	0.0071	0.0133	0.0254	EQUITIES	
USD/JPY	108.23	-0.18	-0.62	-1.23	-2.32		Index
GBP/USD	1.2939	0.0012	0.0039	0.0066	0.0116	NZX50	10,762
EUR/GBP	0.8631	0.0009	0.0029	0.0058	0.0117	ASX200	6,669
						Dow Jones	27,347
						S&P 500	3,067
						FTSE100	7,302
						DAX 30	12,961
						Nikkei	22,851
						COMMODITIES	
							USD
						Dubai Light	58.58
						Brent Crude	61.69
						Gold	1,514.35
						Silver	18.11
						CRB Index	190.31
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		1.15%	1.11%	0.93%	0.91%		
90 day bank bills		1.14%	1.10%	0.95%	0.91%		
FRA 90d in 3mths		1.08%	1.05%	0.92%	0.87%		
FRA 180d in 6mths		1.01%	0.98%	0.93%	0.89%		
1 year swap*		1.06%	1.03%	0.90%	0.89%		
2 year swap*		1.03%	1.01%	0.87%	0.86%		
3 year swap*		1.04%	1.01%	0.90%	0.90%		
5 year swap*		1.11%	1.08%	1.06%	1.05%		
10 year swap*		1.41%	1.38%	1.34%	1.33%		
10 year Govt bond			1.26%		1.10%		

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

SOURCE: Bloomberg

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