



MARKET ALERT

Tuesday 5 November 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6408	0.0020
NZD/AUD	0.9299	-0.0011
NZD/JPY	69.59	-0.58
NZD/EUR	0.5754	-0.0050
NZD/GBP	0.4971	-0.0010
NZD/CNH	4.5057	0.0338
AUD/USD	0.6892	0.0029
AUD/EUR	0.6188	-0.0046
EUR/USD	1.1138	0.0131
USD/CNH	7.0310	0.0310
GBP/USD	1.2891	0.0066
EUR/GBP	0.8640	0.0057

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.13%	0.93%
2 year swap	1.06%	0.87%
10 year Govt	1.32%	1.18%

Markets update

More risk on market sentiment emerged overnight leading to Treasury yields rising and US sharemarkets climbing to record highs. US sharemarkets have also been boosted by an earnings season that has outperformed what the market had expected.

It has not been an outstanding earnings season, but it just outperformed the rather down beat market expectations.

The USD strengthened, which added to yesterday's reversal of recent gains by the NZD/USD and AUD/USD.

US/China trade war discussions continue to drive market sentiment. A new report yesterday claimed that they are closing in on a partial trade deal. The 10 year Treasury yield climbed 7 bps to 1.78%.

Local swap rates have shot up since the beginning of October due to progress on US-China trade talks and Brexit, and recent easing in worrying geopolitical tensions. Our 10 year swap rate fell to a low of 1.11% in early October and is expect to open today above yesterday's 1.45% close.

Disappointing Australian retail sales

Australian retail sales rose 0.2% in September, below market expectations and August's rise, both of which were 0.4%. Retail sales in September were 2.5% up for the year, the same as in August. The fall in retail sales in September is disappointing, especially given lower mortgage rates following the RBA's rate cuts in May and June (and the expectation for more, which happened in October) and a rebound in house prices.

The retail sales data will likely have no impact on today's RBA decision. Expectations are for the RBA to remain on hold, especially with so many global uncertainties and mixed signals within the Australian economy, especially in the RBA's key areas of unemployment and inflation (both price and wage).

The weaker than expected retail sales data caused the AUD and Australian swap rates to fall. The AUD/USD dropped below the key 0.6900 level and failed to recover that mark overnight. The weaker AUD pulled down the NZD/USD although it remained above 0.6400 and the NZD/AUD held above 0.9300.

Eurozone manufacturing still weak

The Markit manufacturing PMI for the Eurozone rose slightly in October, to 45.9 from 45.7 in September. However, there was a sharp fall in new orders, which does not bode well. Again, the main drag was Germany whose PMI also rose slightly from 41.7 to 42.1. German factory output and new orders declined in October although at a slower pace than in September.

France manufacturing kept in expansionary territory, just — the PMI rose from 50.1 to 50.7. Italian manufacturing stayed in contractionary territory with its PMI falling slightly from 47.8 to 47.7.

The slight improvement in German and Eurozone PMI readings were outweighed by their actual (contractionary) levels because the manufacturing sector remains a drag on German and Eurozone GDP. This will add to the already intense pressure on the newly installed ECB President, Christine Lagarde, and risks further eroding confidence in the Eurozone economy and the euro.

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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	70.79					CAD	0.8424 0.9059
NZD/USD	0.6408	0.0004	0.0011	0.0020	0.0034	CHF	0.6327 0.6803
NZD/AUD	0.9299	-0.0002	-0.0006	-0.0011	-0.0019	CNY	4.5053 4.8449
NZD/JPY	69.59	-0.08	-0.30	-0.58	-1.16	DKK	4.2990 4.6231
NZD/EUR	0.5754	-0.0008	-0.0026	-0.0050	-0.0099	FJD	1.3928 1.4978
NZD/GBP	0.4971	-0.0002	-0.0006	-0.0010	-0.0020	HKD	5.0215 5.4000
						KRW	744.70 800.83
AU TWI	59.90					MYR	2.6797 2.8817
AUD/USD	0.6892	0.0006	0.0016	0.0029	0.0050	NOK	5.8471 6.2878
AUD/NZD	1.0754	0.0003	0.0008	0.0012	0.0022	SEK	6.1538 6.6176
AUD/JPY	74.85	-0.06	-0.27	-0.54	-1.10	SGD	0.8702 0.9357
AUD/EUR	0.6188	-0.0007	-0.0024	-0.0046	-0.0095	TWD	19.49 20.96
AUD/GBP	0.5346	0.0000	-0.0003	-0.0005	-0.0010	ZAR	9.4634 10.1767
USD Index	97.46						
EUR/USD	1.1138	0.0021	0.0070	0.0131	0.0255	EQUITIES	
USD/JPY	108.61	-0.18	-0.66	-1.24	-2.36		Index
GBP/USD	1.2891	0.0012	0.0038	0.0066	0.0119	NZX50	10,802
EUR/GBP	0.8640	0.0009	0.0029	0.0057	0.0117	ASX200	6,687
						Dow Jones	27,455
						S&P 500	3,080
						FTSE100	7,370
						DAX 30	13,136
						Nikkei	22,851
						COMMODITIES	
							USD
						Dubai Light	60.45
						Brent Crude	62.67
						Gold	1,508.60
						Silver	18.05
						CRB Index	191.91

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	1.15%	1.11%	0.95%	0.91%
FRA 90d in 3mths	1.08%	1.05%	0.92%	0.87%
FRA 180d in 6mths	1.04%	1.01%	0.93%	0.89%
1 year swap*	1.08%	1.06%	0.88%	0.86%
2 year swap*	1.08%	1.05%	0.88%	0.87%
3 year swap*	1.09%	1.06%	0.91%	0.91%
5 year swap*	1.16%	1.13%	1.10%	1.09%
10 year swap*	1.47%	1.44%	1.39%	1.38%
10 year Govt bond		1.31%		1.18%

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

SOURCE: Bloomberg

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