



MARKET ALERT

Wednesday 6 November 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6384	0.0021
NZD/AUD	0.9258	-0.0009
NZD/JPY	69.69	-0.55
NZD/EUR	0.5767	-0.0049
NZD/GBP	0.4953	-0.0009
NZD/CNH	4.4674	0.0323
AUD/USD	0.6895	0.0029
AUD/EUR	0.6229	-0.0047
EUR/USD	1.1068	0.0130
USD/CNH	6.9988	0.0280
GBP/USD	1.2889	0.0066
EUR/GBP	0.8588	0.0057

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.14%	0.94%
2 year swap	1.07%	0.92%
10 year Govt	1.35%	1.20%

and UK 10 year yields are also at three month highs. The JGB 10 year bond yield jumped 6 bps as the BoJ cut debt purchases for the first time in over than a month.

The yuan rallied yesterday with the USD/CNH falling below 7.000 for the first time since mid August. The yuan is seen as a good barometer of progress in trade talks between the two superpowers. The acceleration overnight of the CNH's rally over the past few weeks suggests that 'Phase 1' of the US/China trade deal is very close to being signed.

The stronger USD pushed down the NZD/USD. The AUD was the best performer overnight as it managed to rally despite the stronger USD, resulting in the NZD/AUD falling to around 0.9260.

RBA in a very happy place

The RBA Board yesterday kept its cash rate at 0.75% yesterday and expressed great contentment about where its main points of interest are and look like heading. It is very pleased that *"the Australian dollar is at the lower end of its range over recent times,"* the unemployment rate is expected to remain around 5.25% *"for some time, before gradually declining to a little below 5 per cent in 2021."* Also, *"wages growth remains subdued and is expected to remain at around its current rate for some time,"*

and, *"in both headline and underlying terms, inflation is expected to be close to 2 per cent in 2020 and 2021."*

Such a contented central bank is unlikely to want to cut its cash rate to the extent that markets are predicting, which caused markets to unwind some of their rate cut positioning and the AUD to rise, and lifted the AUD/USD. More importantly, the support that the AUD received from the RBA statement helped the AUD/USD withstand the resurgent USD overnight.

The RBA statement also pushed up Australian swap rates. They should also receive another lift at today's opening from higher global bond yields overnight, as will New Zealand swap rates.

Dairy prices higher

Last night's GDT auction produced a 3.7% rise in the GDT Price Index, to its highest since the 21 May auction. The all important Whole Milk Powder price was 3.6% higher, to USD3,254 per MT, which will be good news for Fonterra and dairy farmers. The GDT auction added to the good news for the New Zealand agricultural sector from recent rises in soft commodity prices.

The GDT auction results, the resilient AUD and another bout of CNH strength had only a marginally positive impact on the NZD.

Markets update — Risk on

The sell off across global bond markets deepened overnight due to further optimism in the US/China trade discussions. Meanwhile, US sharemarkets remain near record highs, the USD rallied again and gold slumped as stronger than expected US services data dented demand for safe haven assets.

The 10 year Treasury bond yield rose to 1.86% overnight, 30 bps above the low hit in early September. German, French

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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	70.51					CAD	0.8397 0.9070
NZD/USD	0.6384	0.0004	0.0011	0.0021	0.0035	CHF	0.6339 0.6847
NZD/AUD	0.9258	-0.0002	-0.0005	-0.0009	-0.0016	CNY	4.4744 4.8330
NZD/JPY	69.69	-0.08	-0.29	-0.55	-1.13	DKK	4.3095 4.6549
NZD/EUR	0.5767	-0.0008	-0.0026	-0.0049	-0.0099	FJD	1.3926 1.5042
NZD/GBP	0.4953	-0.0002	-0.0006	-0.0009	-0.0018	HKD	4.9996 5.4003
						KRW	738.43 797.61
AU TWI	59.80					MYR	2.6543 2.8670
AUD/USD	0.6895	0.0006	0.0016	0.0029	0.0050	NOK	5.8601 6.3297
AUD/NZD	1.0801	0.0002	0.0006	0.0010	0.0019	SEK	6.1673 6.6616
AUD/JPY	75.27	-0.07	-0.27	-0.53	-1.09	SGD	0.8671 0.9366
AUD/EUR	0.6229	-0.0007	-0.0024	-0.0047	-0.0096	TWD	19.41 20.97
AUD/GBP	0.5349	-0.0001	-0.0003	-0.0005	-0.0011	ZAR	9.4238 10.1791
USD Index	97.96						
EUR/USD	1.1068	0.0022	0.0069	0.0130	0.0255	EQUITIES	
USD/JPY	109.18	-0.19	-0.64	-1.22	-2.35		Index
GBP/USD	1.2889	0.0012	0.0037	0.0066	0.0120	NZX50	10,842
EUR/GBP	0.8588	0.0009	0.0029	0.0057	0.0117	ASX200	6,697
						Dow Jones	27,549
						S&P 500	3,078
						FTSE100	7,388
						DAX 30	13,149
						Nikkei	23,252
						COMMODITIES	
							USD
						Dubai Light	61.30
						Brent Crude	62.93
						Gold	1,482.79
						Silver	17.62
						CRB Index	192.14

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.16%	1.12%	0.93%	0.91%
90 day bank bills	1.16%	1.12%	0.96%	0.92%
FRA 90d in 3mths	1.09%	1.06%	0.93%	0.88%
FRA 180d in 6mths	1.05%	1.01%	0.96%	0.92%
1 year swap*	1.10%	1.07%	0.89%	0.88%
2 year swap*	1.09%	1.06%	0.93%	0.91%
3 year swap*	1.13%	1.10%	0.95%	0.94%
5 year swap*	1.23%	1.20%	1.14%	1.13%
10 year swap*	1.56%	1.52%	1.43%	1.42%
10 year Govt bond		1.33%		1.20%

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

SOURCE: Bloomberg

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