



# MARKET ALERT

Tuesday 10 December 2019 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6553	0.0017
NZD/AUD	0.9592	-0.0016
NZD/JPY	71.17	-0.60
NZD/EUR	0.5924	-0.0054
NZD/GBP	0.4981	-0.0014
NZD/CNH	4.6093	0.0363
AUD/USD	0.6831	0.0029
AUD/EUR	0.6176	-0.0046
EUR/USD	1.1061	0.0132
USD/CNH	7.0344	0.0370
GBP/USD	1.3155	0.0071
EUR/GBP	0.8409	0.0055

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.19%	0.89%
2 year swap	1.24%	0.70%
10 year Govt	1.55%	1.15%

## Nervous wait for UK election and US tariffs

No data, no updates on the trade talks from Donald Trump or the Chinese and increasing apprehension ahead of major events and announcements this week made for a very muted start to the week.

With every central bank and economic NGO (e.g. IMF, OECD) over the past year, at least, having warned about the potential downside risks from the

US/China trade war and Brexit, markets are becoming increasingly nervous about the 12 December UK election and potential for higher US tariffs on USD165 billion of Chinese goods from 15 December. The outcomes of those two key events are too hard to predict because their key drivers are so unpredictable — UK voters and Donald Trump respectively.

That nervousness translated into lower government bond yields, stockmarkets and oil prices, and rallies by the CHF and gold safe-havens yesterday. However, the moves were slight and defensive, reflecting more of a tidying up of positions rather than any repositioning. Despite nervousness ahead of Thursday's UK election (Friday morning our time), the GBP/USD hit a five month high yesterday.

The NZD held on to most of last week's gains yesterday despite the slight risk off move and the tragic news of New Zealand's White Island tragedy. The NZD/USD remains above 0.6550 and the NZD/AUD close to 0.9600. The NZD/GBP eased slightly due to the (slightly) stronger GBP.

The UK election and progress (or lack thereof) on the US/China trade talks are all relevant to markets at present but there are other potential market moving

influences, events and announcements due before Christmas that could jolt markets and lift volatility.

## Swap rates back to July levels

Higher global bond yields in recent days have given momentum to the lift in local swap rates from the RBNZ's less pessimistic outlook and 'wait and see' stance at last month's MPC meeting and in the accompanying MPS. As a result, swap rates have risen to levels last seen in July, i.e. before the surprise 0.50% OCR cut in early August.

The catalysts for the rise in swap rates since early October have been better than expected domestic data and markets' need for directional movement, i.e. the central bank's policy settings and swap rates cannot go sideways, they must go up or down. However, swap rates are a long way below where they started 2019 and still have every reason to stick to their recent range, no matter how unappetising that thought is for markets.

The recent lull in markets is an ideal time for those needing to hedge foreign currency and interest rate risks to set hedging strategies for the upcoming holiday period, a time when market moves are often exaggerated.

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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	72.60					<b>CAD</b>	0.8673	0.9042
NZD/USD	0.6553	0.0004	0.0010	0.0017	0.0027	<b>CHF</b>	0.6476	0.6751
NZD/AUD	0.9592	-0.0002	-0.0006	-0.0016	-0.0041	<b>CNY</b>	4.6126	4.8087
NZD/JPY	71.17	-0.16	-0.32	-0.60	-1.19	<b>DKK</b>	4.4268	4.6151
NZD/EUR	0.5924	-0.0012	-0.0028	-0.0054	-0.0109	<b>FJD</b>	1.4242	1.4848
NZD/GBP	0.4981	-0.0004	-0.0008	-0.0014	-0.0027	<b>HKD</b>	5.1296	5.3478
						<b>KRW</b>	779.86	813.03
AU TWI	59.30					<b>MYR</b>	2.7260	2.8420
AUD/USD	0.6831	0.0005	0.0014	0.0029	0.0057	<b>NOK</b>	5.9939	6.2488
AUD/NZD	1.0425	0.0002	0.0007	0.0018	0.0045	<b>SEK</b>	6.2467	6.5124
AUD/JPY	74.19	-0.15	-0.29	-0.50	-0.93	<b>SGD</b>	0.8910	0.9288
AUD/EUR	0.6176	-0.0011	-0.0025	-0.0046	-0.0087	<b>TWD</b>	19.97	20.82
AUD/GBP	0.5193	-0.0003	-0.0005	-0.0005	-0.0006	<b>ZAR</b>	9.6213	10.0305
USD Index	97.67							
EUR/USD	1.1061	0.0028	0.0068	0.0132	0.0252	<b>EQUITIES</b>		
USD/JPY	108.62	-0.31	-0.65	-1.19	-2.25			<b>Index</b>
GBP/USD	1.3155	0.0019	0.0040	0.0071	0.0125	<b>NZX50</b>		11,230
EUR/GBP	0.8409	0.0010	0.0027	0.0055	0.0111	<b>ASX200</b>		6,730
						<b>Dow Jones</b>		27,951
						<b>S&amp;P 500</b>		3,142
						<b>FTSE100</b>		7,234
						<b>DAX 30</b>		13,106
						<b>Nikkei</b>		23,431
						<b>COMMODITIES</b>		
								<b>USD</b>
						<b>Dubai Light</b>		63.50
						<b>Brent Crude</b>		64.31
						<b>Gold</b>		1,459.60
						<b>Silver</b>		16.58
						<b>CRB Index</b>		191.53

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.21%	1.17%	0.85%	0.83%
90 day bank bills	1.21%	1.17%	0.91%	0.87%
FRA 90d in 3mths	1.24%	1.19%	0.74%	0.69%
FRA 180d in 6mths	1.23%	1.20%	0.74%	0.70%
1 year swap*	1.17%	1.13%	0.72%	0.71%
2 year swap*	1.25%	1.23%	0.71%	0.70%
3 year swap*	1.29%	1.27%	0.74%	0.73%
5 year swap*	1.39%	1.37%	0.96%	0.95%
10 year swap*	1.72%	1.69%	1.30%	1.30%
10 year Govt bond		1.53%		1.15%

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

SOURCE: Bloomberg

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