



# MARKET ALERT

Wednesday 11 December 2019 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6544	0.0017
NZD/AUD	0.9606	-0.0017
NZD/JPY	71.14	-0.61
NZD/EUR	0.5900	-0.0055
NZD/GBP	0.4960	-0.0014
NZD/CNH	4.6006	0.0363
AUD/USD	0.6813	0.0030
AUD/EUR	0.6141	-0.0047
EUR/USD	1.1093	0.0133
USD/CNH	7.0304	0.0373
GBP/USD	1.3194	0.0072
EUR/GBP	0.8408	0.0055

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.19%	0.89%
2 year swap	1.21%	0.71%
10 year Govt	1.53%	1.11%

## More of the same

Markets swung back and forth yesterday as they evaluated whether the US and China will agree on their Phase 1 trade deal ahead of the 15 December tariff deadline. The USD fell slightly, Treasury yields rose slightly (with markets cautious ahead of today's FOMC meeting) and US equities didn't move.

Multiple reports suggest that the US will delay the 15 December tariffs on Chinese imports. However, some officials are saying that the tariffs will go ahead, and some say that the outcome

depends on how the talks progress. So, it's more of the same with the US/China trade war.

The GBP rose ahead of a key political poll (YouGov) just days before the UK Election in anticipation that the poll will show the Conservatives holding on to their lead.

Today's FOMC meeting, tomorrow's UK election and Sunday's lifting of US tariffs on Chinese imports each shape up as potential volatility inducing events for markets.

## Chinese inflation is all about pork

China's annual headline CPI jumped from 3.8% in October to 4.5% in November, its highest since January 2012 and more than double January's annual inflation rate of 1.9%. Markets expected a lesser rise to 4.3%. The cause of the jump in inflation was a 19.1% rise in food prices on the back of surging pork prices, which were up an eye watering 110% over the year. Other meat prices were up between 11.8% and 25.7% over the November year. By comparison, non-food prices were up a measly 1.0% over the November year.

Offsetting the impact of higher food prices in November, the PPI fell 0.1% in November, after rising 0.1% in October. Over the November year, the PPI was down 1.4%, after falling 1.6% in the October year. The falling PPI may

soften the Chinese inflation pressures, but it is a worry because it reflects the pressure on Chinese manufacturers from weak global demand and slowing manufacturing activity in competing countries, due mainly to the US/China trade war.

## Currency rally among Pacific rim nations

The currencies of Pacific rim countries that export meat to China (NZD, AUD and BRL) rallied against the USD soon after the release of the Chinese inflation data. Again, the NZD led the charge — not surprisingly given that a few months ago China overtook the US as New Zealand's number one export destination for beef and sheep meat. The currencies of the other two major beef exporters to China (Argentina and Uruguay) did not rally because they are hampered by dire domestic circumstances.

News yesterday that the Democrats will support the White House on the US-Mexico-Canada Trade Agreement, to replace NAFTA, lifted the CAD and MXN and added them to the happy bunch of Pacific rim exporting nations. The news also lifted Treasury yields although the rise was dampened by comments from Larry Kudlow, head of the White House's National Economic Council and a key Trump advisor, that the tariffs due to be implemented on 15 December are still on the table.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# DAILY RATES

Wednesday 11 December 2019 | www.bancorptreasury.com

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	72.50					<b>CAD</b>	0.8657 0.9013
NZD/USD	0.6544	0.0003	0.0009	0.0017	0.0027	<b>CHF</b>	0.6442 0.6706
NZD/AUD	0.9606	-0.0002	-0.0007	-0.0017	-0.0042	<b>CNY</b>	4.6030 4.7920
NZD/JPY	71.14	-0.16	-0.33	-0.61	-1.22	<b>DKK</b>	4.4088 4.5899
NZD/EUR	0.5900	-0.0012	-0.0028	-0.0055	-0.0110	<b>FJD</b>	1.4228 1.4812
NZD/GBP	0.4960	-0.0005	-0.0008	-0.0014	-0.0028	<b>HKD</b>	5.1220 5.3323
						<b>KRW</b>	779.21 811.22
AU TWI	59.20					<b>MYR</b>	2.7267 2.8386
AUD/USD	0.6813	0.0005	0.0014	0.0030	0.0058	<b>NOK</b>	6.0030 6.2495
AUD/NZD	1.0411	0.0002	0.0007	0.0018	0.0046	<b>SEK</b>	6.2127 6.4678
AUD/JPY	74.06	-0.15	-0.29	-0.50	-0.94	<b>SGD</b>	0.8890 0.9255
AUD/EUR	0.6141	-0.0011	-0.0025	-0.0047	-0.0088	<b>TWD</b>	19.94 20.75
AUD/GBP	0.5164	-0.0004	-0.0005	-0.0006	-0.0006	<b>ZAR</b>	9.6814 10.0790
USD Index	97.46						
EUR/USD	1.1093	0.0029	0.0069	0.0133	0.0257	<b>EQUITIES</b>	
USD/JPY	108.71	-0.31	-0.65	-1.21	-2.30		<b>Index</b>
GBP/USD	1.3194	0.0019	0.0041	0.0072	0.0129	<b>NZX50</b>	11,284
EUR/GBP	0.8408	0.0009	0.0027	0.0055	0.0112	<b>ASX200</b>	6,707
						<b>Dow Jones</b>	27,909
						<b>S&amp;P 500</b>	3,136
						<b>FTSE100</b>	7,214
						<b>DAX 30</b>	13,071
						<b>Nikkei</b>	23,410
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	63.68
						<b>Brent Crude</b>	64.25
						<b>Gold</b>	1,464.16
						<b>Silver</b>	16.66
						<b>CRB Index</b>	192.64
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>			
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>		
30 day bank bills		1.20%	1.16%	0.85%	0.83%		
90 day bank bills		1.21%	1.17%	0.91%	0.87%		
FRA 90d in 3mths		1.24%	1.16%	0.74%	0.69%		
FRA 180d in 6mths		1.23%	1.20%	0.74%	0.70%		
1 year swap*		1.21%	1.18%	0.72%	0.71%		
2 year swap*		1.22%	1.20%	0.72%	0.71%		
3 year swap*		1.27%	1.24%	0.75%	0.75%		
5 year swap*		1.35%	1.32%	0.97%	0.96%		
10 year swap*		1.68%	1.65%	1.32%	1.31%		
10 year Govt bond			1.51%		1.11%		

\* 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.