



MARKET ALERT

Monday 16 December 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6603	0.0016
NZD/AUD	0.9585	-0.0017
NZD/JPY	72.22	-0.61
NZD/EUR	0.5937	-0.0055
NZD/GBP	0.4952	-0.0014
NZD/CNH	4.6311	0.0375
AUD/USD	0.6889	0.0029
AUD/EUR	0.6193	-0.0047
EUR/USD	1.1125	0.0132
USD/CNH	7.0161	0.0395
GBP/USD	1.3334	0.0070
EUR/GBP	0.8343	0.0055

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.20%	0.90%
2 year swap	1.24%	0.74%
10 year Govt	1.58%	1.26%

UK election and US/China trade deal sent markets wild

The UK election result and a Phase 1 trade deal between the US and China on Friday sent markets into a frenzy.

It all started with the release of the BBC exit poll that showed an unexpected landslide victory for Boris Johnson's Conservative Party.

The announcement of the trade deal acted like a second stage rocket booster to markets' frenzy.

The biggest winner, by far, was the GBP and the USD was the biggest loser. The GBP/USD, after closing Thursday at 1.3166, surged 300 points to a peak of 1.3515, its highest since May 2018. The yuan was the next best performing currency — the USD/CNH, which closed Thursday at 6.9435, fell to a low of 6.9225.

The NZD and AUD also rallied, with the NZD/USD hitting a peak on Friday of 0.6635 and the AUD/USD hitting 0.6940, their highest since late July. Overall, the NZD was the better performer, with the NZD/AUD climbing to just below 0.9600.

Bond yields also rose, again led by UK gilt yields although Treasuries yields were a close second. US sharemarkets also rose, with the three main US stockmarket indices rising to fresh record highs until the details were examined, causing markets to correct their over-enthusiastic actions.

Reality check over the weekend

The final election results revealed that the Conservatives' win was not as spectacular as the exit poll had predicted although the actual result was still well beyond market predictions.

The Conservatives had their best win since 1987 but Labour had its worst result since 1935, which said that the electorate did not vote for Johnson, the

Conservatives and Brexit but voted against Jeremy Corbyn. Complicating the Conservatives' victory, the Scottish National Party won almost four out of every five Scottish seats. Scotland could become the English Catalonia. The reality and details took some gloss off the Conservatives' victory and the GBP.

Similarly, the little detail of the US/China agreement had markets gasping for more. The US called off fresh tariffs on USD156 billion of Chinese imports due to happen yesterday and will cut the tariff on USD120 billion of goods from 15% to 7.5%. However, 25% tariffs remain on USD250 billion in Chinese goods. China agreed to increase purchases of US agricultural goods by USD32 billion over the next two years. All media comment came from the US, with the Chinese saying very little. Furthermore, there was no indication when the US and China would start negotiations on Phase 2.

US retail sales fell short of expectations in November — rising 0.2% against expectations for a 0.5% rise although October's rise was revised from 0.3% to 0.4%. Retail sales excluding autos also disappointed — rising 0.1% from 0.3% in October and also short of expectations (0.4%).

As a result, markets reversed a lot of the Friday's frenzied trades which means that the new week starts with the NZD/USD still above 0.6600, the NZD/AUD still close to 0.9600 and swap rates under downward pressure.

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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	72.72					CAD 0.8704	0.9080
NZD/USD	0.6603	0.0003	0.0009	0.0016	0.0028	CHF 0.6495	0.6776
NZD/AUD	0.9585	-0.0002	-0.0007	-0.0017	-0.0038	CNY 4.6117	4.8114
NZD/JPY	72.22	-0.14	-0.32	-0.61	-1.15	DKK 4.4360	4.6280
NZD/EUR	0.5937	-0.0011	-0.0028	-0.0055	-0.0108	FJD 1.4303	1.4923
NZD/GBP	0.4952	-0.0004	-0.0007	-0.0014	-0.0025	HKD 5.1486	5.3715
						KRW 775.97	809.57
AU TWI	59.70					MYR 2.7394	2.8580
AUD/USD	0.6889	0.0005	0.0014	0.0029	0.0057	NOK 5.9627	6.2209
AUD/NZD	1.0433	0.0003	0.0008	0.0019	0.0042	SEK 6.1993	6.4677
AUD/JPY	75.32	-0.13	-0.28	-0.50	-0.91	SGD 0.8936	0.9322
AUD/EUR	0.6193	-0.0010	-0.0025	-0.0047	-0.0088	TWD 19.96	20.82
AUD/GBP	0.5166	-0.0003	-0.0004	-0.0005	-0.0006	ZAR 9.5950	10.0104
USD Index	97.17						
EUR/USD	1.1125	0.0027	0.0069	0.0132	0.0254	EQUITIES	
USD/JPY	109.34	-0.27	-0.64	-1.19	-2.20		Index
GBP/USD	1.3334	0.0017	0.0038	0.0070	0.0126	NZX50	11,242
EUR/GBP	0.8343	0.0010	0.0027	0.0055	0.0111	ASX200	6,740
						Dow Jones	28,135
						S&P 500	3,169
						FTSE100	7,353
						DAX 30	13,283
						Nikkei	24,023
						COMMODITIES	
							USD
						Dubai Light	64.76
						Brent Crude	65.22
						Gold	1,341.05
						Silver	16.94
						CRB Index	194.39
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		1.19%	1.15%	0.85%	0.83%		
90 day bank bills		1.22%	1.18%	0.92%	0.88%		
FRA 90d in 3mths		1.24%	1.18%	0.77%	0.72%		
FRA 180d in 6mths		1.21%	1.18%	0.78%	0.74%		
1 year swap*		1.21%	1.19%	0.75%	0.74%		
2 year swap*		1.25%	1.23%	0.74%	0.73%		
3 year swap*		1.30%	1.28%	0.78%	0.77%		
5 year swap*		1.43%	1.41%	1.00%	0.99%		
10 year swap*		1.78%	1.76%	1.32%	1.30%		
10 year Govt bond			1.56%		1.26%		

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

SOURCE: Bloomberg

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