



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Tuesday 17 December 2019 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6602	0.0017
NZD/AUD	0.9579	-0.0016
NZD/JPY	72.35	-0.61
NZD/EUR	0.5924	-0.0055
NZD/GBP	0.4949	-0.0013
NZD/CNH	4.6159	0.0369
AUD/USD	0.6893	0.0030
AUD/EUR	0.6184	-0.0047
EUR/USD	1.1145	0.0134
USD/CNH	6.9918	0.0376
GBP/USD	1.3342	0.0071
EUR/GBP	0.8354	0.0056

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.22%	0.90%
2 year swap	1.23%	0.76%
10 year Govt	1.53%	1.16%

## Markets overnight

More risk on sentiment overnight as the partial US/China trade deal eased the markets' key risks heading into year end. The USD, JPY and Treasuries suffered, while the NZD, AUD and global equities all posted gains overnight with local swap rates likely to open higher today.

Weak manufacturing PMI data out of the Eurozone could confirm that the worst is yet to come. Services PMI were largely as expected and the only thing keeping many of the countries in the Eurozone afloat.

## Strong Chinese data — for now

China's economy picked up in November and added to the optimism from the Phase 1 US/China trade deal. Chinese industrial output increased 6.2% and retail sales rose 8.0% over the year to November, beating market expectations for 5.0% and 7.6% respectively.

Meanwhile, fixed asset investment grew at 5.2%, the same as in October, and its slowest pace since 1998.

Economists remain wary about China as there are no clear signs that the slack in the economy is turning around. November hosted the 'Singles Day' and 'Black Friday' promotions that could explain the rebound in retail sales, while the improvement in industrial production might be due to inventory rebuilding.

Despite economists being cautious, the rebound in the retail sales and industrial output, in conjunction with a partial trade deal, relieved some uncertainty that has been hovering over China (and its major trading partners in Asia and Australasia). Markets will intently watch data coming out of China next year.

## Contrasting trans-Tasman fiscal fortunes

The Australian Federal government's Mid-Year Economic and Fiscal Outlook ("MYEFO"), released yesterday, was in bleak contrast to the

New Zealand equivalent last week. The MYEFO contained a reduction of AUD23.6 billion to forecast tax revenues over the next four years as a consequence of lower forecasts for GDP, business investment, wages and household consumption, and a higher unemployment rate, which the Federal government blamed on "weak momentum in the global economy" because of "global trade tensions" and "the devastating effects of drought and bushfires." Forecast GDP for the June 2020 year has been revised down from 2.75% to 2.25%.

The government announced only minor increases in its spending plans. The end results were lower forecasted fiscal surpluses over coming years, with this year set to be the first surplus in 12 years, but that was enough to keep Australia on track to maintain its 'AAA' rating according to S&P.

The RBA, among others, will be disappointed to see that the Federal government has not adopted any fiscal loosening and prefers to preserve fiscal surpluses in coming years. All this is in contrast to New Zealand where the Treasury last week upgraded its economic and revenue forecasts, which the government then spent to leave near balanced fiscal positions in coming years. Add to that, the recent widening of New Zealand's interest rate advantage over Australia, it is no wonder that the NZD/AUD is close to 0.9600.

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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	72.75					<b>CAD</b>	0.8677 0.9058
NZD/USD	0.6602	0.0004	0.0009	0.0017	0.0029	<b>CHF</b>	0.6488 0.6773
NZD/AUD	0.9579	-0.0003	-0.0007	-0.0016	-0.0037	<b>CNY</b>	4.6166 4.8195
NZD/JPY	72.35	-0.16	-0.33	-0.61	-1.21	<b>DKK</b>	4.4269 4.6215
NZD/EUR	0.5924	-0.0012	-0.0028	-0.0055	-0.0109	<b>FJD</b>	1.4307 1.4936
NZD/GBP	0.4949	-0.0004	-0.0007	-0.0013	-0.0026	<b>HKD</b>	5.1430 5.3690
						<b>KRW</b>	771.86 805.78
AU TWI	59.40					<b>MYR</b>	2.7329 2.8530
AUD/USD	0.6893	0.0006	0.0015	0.0030	0.0058	<b>NOK</b>	5.9468 6.2081
AUD/NZD	1.0440	0.0003	0.0008	0.0018	0.0041	<b>SEK</b>	6.1769 6.4483
AUD/JPY	75.54	-0.14	-0.28	-0.51	-0.97	<b>SGD</b>	0.8944 0.9337
AUD/EUR	0.6184	-0.0011	-0.0025	-0.0047	-0.0089	<b>TWD</b>	19.89 20.76
AUD/GBP	0.5166	-0.0003	-0.0004	-0.0005	-0.0007	<b>ZAR</b>	9.4778 9.8943
USD Index	97.02						
EUR/USD	1.1145	0.0029	0.0070	0.0134	0.0258	<b>EQUITIES</b>	
USD/JPY	109.60	-0.30	-0.65	-1.21	-2.30		<b>Index</b>
GBP/USD	1.3342	0.0019	0.0039	0.0071	0.0129	<b>NZX50</b>	11,227
EUR/GBP	0.8354	0.0010	0.0028	0.0056	0.0112	<b>ASX200</b>	6,850
						<b>Dow Jones</b>	28,302
						<b>S&amp;P 500</b>	3,196
						<b>FTSE100</b>	7,519
						<b>DAX 30</b>	13,408
						<b>Nikkei</b>	23,952
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	64.68
						<b>Brent Crude</b>	65.47
						<b>Gold</b>	1,475.54
						<b>Silver</b>	17.05
						<b>CRB Index</b>	196.04
<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		1.21%	1.17%	0.86%	0.84%		
90 day bank bills		1.24%	1.20%	0.92%	0.88%		
FRA 90d in 3mths		1.22%	1.19%	0.79%	0.74%		
FRA 180d in 6mths		1.21%	1.18%	0.81%	0.77%		
1 year swap*		1.22%	1.19%	0.76%	0.75%		
2 year swap*		1.24%	1.21%	0.77%	0.76%		
3 year swap*		1.28%	1.25%	0.83%	0.82%		
5 year swap*		1.39%	1.36%	1.05%	1.04%		
10 year swap*		1.71%	1.69%	1.38%	1.37%		
10 year Govt bond			1.51%		1.16%		

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

SOURCE: Bloomberg

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