



# MARKET ALERT

Wednesday 18 December 2019 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6569	0.0017
NZD/AUD	0.9593	-0.0017
NZD/JPY	71.90	-0.61
NZD/EUR	0.5890	-0.0055
NZD/GBP	0.5007	-0.0014
NZD/CNH	4.5960	0.0362
AUD/USD	0.6848	0.0030
AUD/EUR	0.6141	-0.0046
EUR/USD	1.1152	0.0134
USD/CNH	6.9968	0.0369
GBP/USD	1.3121	0.0071
EUR/GBP	0.8500	0.0056

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.22%	0.88%
2 year swap	1.22%	0.73%
10 year Govt	1.55%	1.16%

## Higher business and consumer confidence

New Zealand businesses believe they are in a healthy and happy position compared to just a couple of months ago, according to the latest ANZ Business Outlook survey. The headline business confidence measure jumped from negative 26.4% in November to negative 13.2% in December, its highest since October 2017.

Firms' outlook for their own activity (regarded as a truer indicator of underlying GDP) also jumped — from positive 12.9% in November to positive

17.2% in December, its highest since April 2018.

A standout feature was the rebound in the manufacturing sector that reported high levels of capacity utilisation, and employment and investment intentions, with the latter showing a remarkable turnaround from October's survey that indicated the opposite.

The quarterly Westpac McDermott Miller Consumer Confidence survey also reported an improved outlook. The survey's confidence index rose from 103.1 in September to 109.9 in December, with notable reversals from negative to positive in consumers' economic outlooks for 1 year and 5 years ahead.

The leap in business and consumer confidence suggest that the 75 bps of OCR cuts this year, higher commodity prices, a relatively restrained NZD, and the recent rebound in house prices have boosted sentiment. However, confidence remains below long term averages and global headwinds still threaten. Offsetting those are historically low (and expected to be low for longer) interest rates, high commodity prices, and rebounding house prices.

## GDT dents market's confidence

Any positivity from resurgent consumer and business confidence was wiped out by an unexpected fall in prices at last night's GDT auction. The overall GDT

Price Index fell 5.1%, thanks to falls of 6.7% by Whole Milk Powder and 6.3% by Skim Milk Powder, which accounted to more than 75% of the volume sold.

The NZD fell against all but the AUD and GBP after the GDT auction results. However, with the NZD/USD around 0.6570, the NZD/EUR around 0.5890, and the NZD/JPY around 72.00, the falls were merely corrections to recent rises.

The NZD/AUD held around 0.9600 because the AUD/USD and NZD/USD fell in lock step. The NZD/GBP is back above 0.5000 because the GBP/USD is back at 1.3100, where it was just before last week's election exit poll that predicted a landslide Conservative win. Markets seemed to have decided that the UK will be no better off — rather any economic malaise as a result of Brexit will happen sooner.

## RBA adds to global chorus

The minutes of the RBA's 3 December meeting repeated recent RBA messages and showed that it had joined the global central bank chorus. The minutes noted that "there had been little change in the economic outlook" and, given the RBA's actions in 2019, "the most appropriate approach would be to maintain the current stance of monetary policy and to continue to assess the evidence of how the easing in monetary policy was affecting the economy." Repeating comments from the Fed, RBNZ, and BoC, it reminded markets that "monetary policy had long and variable lags."

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# DAILY RATES

Wednesday 18 December 2019 | www.bancorptreasury.com

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	72.52					<b>CAD</b>	0.8650 0.9017
NZD/USD	0.6569	0.0003	0.0009	0.0017	0.0028	<b>CHF</b>	0.6439 0.6713
NZD/AUD	0.9593	-0.0003	-0.0007	-0.0017	-0.0040	<b>CNY</b>	4.5972 4.7925
NZD/JPY	71.90	-0.16	-0.33	-0.61	-1.21	<b>DKK</b>	4.4015 4.5884
NZD/EUR	0.5890	-0.0012	-0.0028	-0.0055	-0.0109	<b>FJD</b>	1.4225 1.4829
NZD/GBP	0.5007	-0.0004	-0.0008	-0.0014	-0.0029	<b>HKD</b>	5.1160 5.3333
						<b>KRW</b>	764.97 797.47
AU TWI	59.40					<b>MYR</b>	2.7244 2.8401
AUD/USD	0.6848	0.0006	0.0015	0.0030	0.0059	<b>NOK</b>	5.9210 6.1725
AUD/NZD	1.0425	0.0003	0.0008	0.0018	0.0044	<b>SEK</b>	6.1527 6.4140
AUD/JPY	74.97	-0.14	-0.28	-0.50	-0.95	<b>SGD</b>	0.8903 0.9281
AUD/EUR	0.6141	-0.0011	-0.0025	-0.0046	-0.0088	<b>TWD</b>	19.81 20.65
AUD/GBP	0.5219	-0.0003	-0.0004	-0.0006	-0.0008	<b>ZAR</b>	9.4675 9.8696
USD Index	97.19						
EUR/USD	1.1152	0.0029	0.0070	0.0134	0.0260	<b>EQUITIES</b>	
USD/JPY	109.48	-0.30	-0.65	-1.21	-2.31		<b>Index</b>
GBP/USD	1.3121	0.0018	0.0039	0.0071	0.0133	<b>NZX50</b>	11,261
EUR/GBP	0.8500	0.0010	0.0028	0.0056	0.0110	<b>ASX200</b>	6,847
						<b>Dow Jones</b>	28,290
						<b>S&amp;P 500</b>	3,194
						<b>FTSE100</b>	7,525
						<b>DAX 30</b>	13,288
						<b>Nikkei</b>	24,066
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	64.58
						<b>Brent Crude</b>	66.04
						<b>Gold</b>	1,476.22
						<b>Silver</b>	17.00
						<b>CRB Index</b>	195.98
<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%	0.85%	0.83%		
90 day bank bills		1.24%	1.20%	0.90%	0.86%		
FRA 90d in 3mths		1.24%	1.21%	0.75%	0.70%		
FRA 180d in 6mths		1.20%	1.17%	0.77%	0.73%		
1 year swap*		1.21%	1.18%	0.73%	0.72%		
2 year swap*		1.23%	1.21%	0.74%	0.72%		
3 year swap*		1.28%	1.25%	0.79%	0.78%		
5 year swap*		1.38%	1.36%	1.01%	1.00%		
10 year swap*		1.70%	1.67%	1.35%	1.34%		
10 year Govt bond			1.54%		1.16%		

\* 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.