



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Monday 2 December 2019 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6432	0.0017
NZD/AUD	0.9500	-0.0019
NZD/JPY	70.46	-0.61
NZD/EUR	0.5835	-0.0054
NZD/GBP	0.4983	-0.0015
NZD/CNH	4.5187	0.0334
AUD/USD	0.6772	0.0031
AUD/EUR	0.6143	-0.0045
EUR/USD	1.1024	0.0132
USD/CNH	7.0251	0.0337
GBP/USD	1.2912	0.0071
EUR/GBP	0.8538	0.0055

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.23%	0.89%
2 year swap	1.14%	0.69%
10 year Govt	1.29%	1.03%

## Trade developments

China's government wants tariffs to be rolled back as part of the Phase 1 trade deal with the US. Markets jumped at the news because it provides hope that the US tariffs imposed on China will be unwound, if only because the Chinese have publicly declared this to be one of their key outcomes for the current round of talks.

The Global Times, a tabloid run by the communist party's flagship People's Daily newspaper, reported that a US pledge to scrap tariffs due to be implemented on 15 December cannot replace the rollback

in existing ones. Also, the Global Times tweeted that pressure applied on China by Washington on China's internal affairs (regarding Hong Kong) and to purchase US commodities could threaten a deal. The latter is a reminder that China has also vowed to retaliate to President Trump's signing of the Hong Kong bill last week.

The world is keenly awaiting any formal Chinese retaliation to the Hong Kong Act, the impact of President Trump's actions on the trade negotiations, and whether the US tariffs scheduled for the 15 December will go through.

Despite all the uncertainties, traps and work need on the US/China trade talks, markets took the weekend's news positively, mainly the lift in Chinese manufacturing activity. That saw the NZD/USD bounce above 0.6430 first thing this morning. The AUD failed to benefit from the positive market reaction, resulting in the NZD/AUD edging up to just under 0.9500.

## Chinese manufacturing turns a corner

China's official manufacturing PMI unexpectedly jumped back into expansionary territory in November for the first time in six months. The official PMI, which surveys mainly the larger, state-owned manufacturers, rose from 49.3 in October to 50.2 in November, smashing expectations for a meagre rise to 49.5.

The surprise improvement in manufacturing also showed up in all sub-indices — production went from 50.8 to 52.6, new orders went from 49.6 to 51.3, new export orders went from 47.0 to 48.8 and import orders from 46.9 to 49.8

Similarly, the non manufacturing (services) PMI jumped, from 52.8 in October to 54.4 in November with a notable lift in services and logistics related to factory production. It also beat expectations that were for a lesser rise to 53.7.

The lift in manufacturing and services activity in November is seen as an endorsement of the PBC's recent actions in adding liquidity to the banking system, slowly lowering interest rates and convincing banks to pass on those favourable conditions to borrowers.

Furthermore, the new-found optimism in manufacturing could also be taken as a sign of Chinese confidence in the progress and outcome of US and Chinese trade talks.

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# DAILY RATES

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FX	Spot Mid	FECs (mid)				Spot Mid	
		1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	71.47					<b>CAD</b>	0.8541 0.8991
NZD/USD	0.6432	0.0003	0.0009	0.0017	0.0028	<b>CHF</b>	0.6433 0.6772
NZD/AUD	0.9500	-0.0003	-0.0009	-0.0019	-0.0040	<b>CNY</b>	4.5160 4.7537
NZD/JPY	70.46	-0.16	-0.33	-0.61	-1.17	<b>DKK</b>	4.3598 4.5892
NZD/EUR	0.5835	-0.0012	-0.0028	-0.0054	-0.0105	<b>FJD</b>	1.4076 1.4817
NZD/GBP	0.4983	-0.0005	-0.0009	-0.0015	-0.0026	<b>HKD</b>	5.0356 5.3006
						<b>KRW</b>	758.77 798.70
AU TWI	59.00					<b>MYR</b>	2.6864 2.8278
AUD/USD	0.6772	0.0006	0.0016	0.0031	0.0059	<b>NOK</b>	5.9183 6.2297
AUD/NZD	1.0526	0.0004	0.0010	0.0021	0.0044	<b>SEK</b>	6.1553 6.4792
AUD/JPY	74.18	-0.14	-0.27	-0.49	-0.92	<b>SGD</b>	0.8798 0.9261
AUD/EUR	0.6143	-0.0010	-0.0024	-0.0045	-0.0085	<b>TWD</b>	19.61 20.64
AUD/GBP	0.5244	-0.0003	-0.0004	-0.0005	-0.0006	<b>ZAR</b>	9.4364 9.9330
USD Index	98.27						
EUR/USD	1.1024	0.0028	0.0069	0.0132	0.0252	<b>EQUITIES</b>	
USD/JPY	109.55	-0.30	-0.66	-1.23	-2.29		<b>Index</b>
GBP/USD	1.2912	0.0019	0.0040	0.0071	0.0126	<b>NZX50</b>	11,317
EUR/GBP	0.8538	0.0009	0.0027	0.0055	0.0111	<b>ASX200</b>	6,846
						<b>Dow Jones</b>	28,051
						<b>S&amp;P 500</b>	3,141
						<b>FTSE100</b>	7,347
						<b>DAX 30</b>	13,236
						<b>Nikkei</b>	23,294
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	59.77
						<b>Brent Crude</b>	60.49
						<b>Gold</b>	1,357.00
						<b>Silver</b>	16.98
						<b>CRB Index</b>	186.71

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.19%	1.15%	0.83%	0.81%
90 day bank bills	1.25%	1.21%	0.91%	0.87%
FRA 90d in 3mths	1.23%	1.20%	0.73%	0.68%
FRA 180d in 6mths	1.16%	1.13%	0.74%	0.70%
1 year swap*	1.18%	1.15%	0.75%	0.74%
2 year swap*	1.15%	1.12%	0.70%	0.69%
3 year swap*	1.16%	1.13%	0.73%	0.72%
5 year swap*	1.22%	1.19%	0.92%	0.91%
10 year swap*	1.49%	1.47%	1.22%	1.22%
10 year Govt bond		1.28%		1.03%

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

SOURCE: Bloomberg

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