



MARKET ALERT

Wednesday 4 December 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6516	0.0016
NZD/AUD	0.9524	-0.0016
NZD/JPY	70.74	-0.60
NZD/EUR	0.5880	-0.0054
NZD/GBP	0.5012	-0.0014
NZD/CNH	4.6054	0.0350
AUD/USD	0.6841	0.0029
AUD/EUR	0.6173	-0.0046
EUR/USD	1.1081	0.0131
USD/CNH	7.0685	0.0360
GBP/USD	1.3000	0.0069
EUR/GBP	0.8524	0.0055

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.22%	0.91%
2 year swap	1.19%	0.69%
10 year Govt	1.44%	1.20%

Trump fires from the lip, again and again!

The 10 year Treasury yield fell 12 bps overnight. Gold and the traditional safe haven currencies also rallied while US sharemarkets are down over 1% and the USD got knocked. Despite the risk off sentiment, the NZD and AUD held their ground against the USD, hovering above 0.6510 and 0.6840 respectively.

The cause of the latest risk off move was Donald Trump picking on a raft of South American and Europe nations regarding

trade, and stirring the pot on a trade agreement with China, which rekindled global trade and protectionist fears and dented hopes for a global recovery.

Trump said *“I like the idea of waiting until after the election for the China deal. But they want to make a deal now and we’ll see whether or not the deal is going to be right.”* Trump’s comments increased the probability that the Phase 1 deal with China will not happen before tariffs are due to apply on 15 December on around USD160 billion of Chinese imports, mostly consumers goods.

Surprisingly, the NZD and AUD held their ground during the past day’s risk off moves. Recent solid New Zealand data, strong Australian data yesterday and speculators already holding substantial short positions on the NZD and AUD, seem to provide the perfect counter to another wave global risk off flows.

Expect local swap rates to open lower and the yield curve to flatten today.

Australia in the spotlight

The RBA yesterday held its cash rate at 0.75%, as universally expected. In doing so, it repeated that it will be assessing *“the long and variable lags in the transmission of monetary policy,”* that *“it was reasonable to expect that an extended period of low interest rates will be required in Australia to reach full employment and*

achieve the inflation target” and that it *“is prepared to ease monetary policy further if needed.”*

The RBA is clearly wanting markets to rethink the pricing of another cash rate cut in May next year. Recent Australian data has favoured the RBA’s stance, but global monetary policy wild cards remain — notably the US/China trade war and Brexit.

A little before the RBA announcement, Australia announced its second consecutive quarterly current account surplus. The current account surplus was AUD7.855 billion in the September quarter, thrashing market consensus for around AUD6.1 billion and obliterating the 60 year record set by June’s AUD4.660 billion surplus. Again, the reason for the solid current account number was a stunning trade surplus that was driven by surging iron ore, gold prices and gas (LNG) exports.

The last time Australia recorded back to back quarterly current account surpluses was in December 1973 and the surpluses then were only in the (few) hundreds of millions, which shows how great Australia’s current commodity boom is. Official estimates have net exports contributing 0.2% to the September quarter’s GDP, which is due for release today. Anything better than a repeat of the June quarter’s 0.5% gain will give the AUD another lift.

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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	72.29					CAD 0.8666	0.9099
NZD/USD	0.6516	0.0003	0.0009	0.0016	0.0023	CHF 0.6429	0.6750
NZD/AUD	0.9524	-0.0002	-0.0007	-0.0016	-0.0040	CNY 4.6007	4.8306
NZD/JPY	70.74	-0.15	-0.32	-0.60	-1.21	DKK 4.3935	4.6131
NZD/EUR	0.5880	-0.0012	-0.0028	-0.0054	-0.0109	FJD 1.4198	1.4907
NZD/GBP	0.5012	-0.0004	-0.0008	-0.0014	-0.0029	HKD 5.1013	5.3563
						KRW 776.20	815.00
AU TWI	59.50					MYR 2.7249	2.8610
AUD/USD	0.6841	0.0005	0.0015	0.0029	0.0053	NOK 5.9886	6.2879
AUD/NZD	1.0500	0.0003	0.0008	0.0018	0.0044	SEK 6.2106	6.5210
AUD/JPY	74.27	-0.14	-0.29	-0.51	-0.96	SGD 0.8886	0.9330
AUD/EUR	0.6173	-0.0011	-0.0025	-0.0046	-0.0088	TWD 19.88	20.87
AUD/GBP	0.5262	-0.0003	-0.0004	-0.0006	-0.0008	ZAR 9.5421	10.0190
USD Index	97.72						
EUR/USD	1.1081	0.0028	0.0069	0.0131	0.0249	EQUITIES	
USD/JPY	108.58	-0.29	-0.65	-1.19	-2.24		Index
GBP/USD	1.3000	0.0018	0.0039	0.0069	0.0123	NZX50	11,228
EUR/GBP	0.8524	0.0010	0.0027	0.0055	0.0110	ASX200	6,712
						Dow Jones	27,443
						S&P 500	3,088
						FTSE100	7,159
						DAX 30	12,989
						Nikkei	23,380
						COMMODITIES	
							USD
						Dubai Light	60.83
						Brent Crude	61.12
						Gold	1,478.29
						Silver	17.19
						CRB Index	188.24

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.20%	1.16%	0.84%	0.82%
90 day bank bills	1.24%	1.20%	0.93%	0.89%
FRA 90d in 3mths	1.26%	1.23%	0.77%	0.72%
FRA 180d in 6mths	1.20%	1.19%	0.77%	0.73%
1 year swap*	1.21%	1.17%	0.73%	0.73%
2 year swap*	1.20%	1.17%	0.70%	0.69%
3 year swap*	1.21%	1.19%	0.73%	0.72%
5 year swap*	1.29%	1.26%	0.93%	0.92%
10 year swap*	1.59%	1.57%	1.23%	1.22%
10 year Govt bond		1.42%		1.20%

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

SOURCE: Bloomberg

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