



MARKET ALERT

Thursday 5 December 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6528	0.0017
NZD/AUD	0.9530	-0.0016
NZD/JPY	71.07	-0.60
NZD/EUR	0.5894	-0.0054
NZD/GBP	0.4987	-0.0013
NZD/CNH	4.6031	0.0357
AUD/USD	0.6850	0.0029
AUD/EUR	0.6185	-0.0046
EUR/USD	1.1074	0.0131
USD/CNH	7.0520	0.0364
GBP/USD	1.3091	0.0069
EUR/GBP	0.8460	0.0055

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.21%	0.90%
2 year swap	1.18%	0.71%
10 year Govt	1.39%	1.06%

Trade war developments

Following comments yesterday from US and Chinese officials, it appears that Washington and Beijing are moving closer to agreeing on the amount of tariffs that could be rolled back to facilitate a Phase 1 trade deal. Consequently, markets are more bullish on the idea that a Phase 1 deal could be agreed before the 15 December tariffs roll in.

The yield on the 10 year Treasury retraced some of its recent falls, rising 6 bps overnight to 1.778% while US equities rose and the USD fell.

The NZD/USD and AUD/USD held their ground and the NZD/AUD was steady around 0.9530 overnight.

The RBNZ is due to announce today how much more capital local banks will need. It will be interesting to see if any of the negativity that the banks will generate after the announcement will dent the NZD's recently acquired positivity.

Australian GDP better than first appears

Australia's GDP rose 0.4% over the September quarter, failing to meet market predictions for 0.5% gain. However, previous quarters' GDP rises were revised up, meaning that the annual rate was 1.7%, exactly matching market predictions but still well below its long term trend.

The AUD and Australian swap rates stumbled on the headline GDP result but there was little follow through selling of the AUD once the detail was examined. Net exports accounted for 0.2% of the quarter's GDP gain and domestic demand accounted for the other 0.2%. The latter was driven almost entirely by government spending, which meant that the household sector contributed little to GDP over the September quarter. The household sector is expected to lift its game in the current and next quarter on the back of recent RBA rate cuts and house price

gains. Also, Australia is not alone in having annual GDP tracking below its long term trend and 1.7% is still better than many.

The focus on the AUD will continue today with retail sales and trade data for October. A lift in retail sales in October will increase confidence that the household sector's GDP contribution will indeed rebound in the current quarter.

Canadians join the wait and see brigade

The BoC yesterday held its target overnight rate at 1.75%. The formal statement contained no outright dire warnings and showed that it had joined the growing list of central banks who see a stabilising of global growth and are waiting to see the outcomes of recent monetary policy easings and unfolding global threats.

The BoC, like so many industrialised central banks, sees that *"future interest rate decisions will be guided by the Bank's continuing assessment of the adverse impact of trade conflicts."*

Just as the NZD did after a similar RBNZ OCR announcement in November, the CAD railed after the BoC statement. But, unlike the NZD, the CAD has some global influence, which meant that the CAD's rise underpinned the recent NZD/USD and AUD/USD strength.

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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	72.36					CAD 0.8616	0.9041
NZD/USD	0.6528	0.0003	0.0009	0.0017	0.0026	CHF 0.6457	0.6775
NZD/AUD	0.9530	-0.0002	-0.0006	-0.0016	-0.0039	CNY 4.6019	4.8289
NZD/JPY	71.07	-0.14	-0.31	-0.60	-1.19	DKK 4.4040	4.6211
NZD/EUR	0.5894	-0.0011	-0.0027	-0.0054	-0.0107	FJD 1.4200	1.4900
NZD/GBP	0.4987	-0.0004	-0.0007	-0.0013	-0.0027	HKD 5.1104	5.3624
						KRW 777.20	815.53
AU TWI	59.40					MYR 2.7178	2.8518
AUD/USD	0.6850	0.0005	0.0014	0.0029	0.0055	NOK 5.9866	6.2818
AUD/NZD	1.0493	0.0002	0.0007	0.0018	0.0043	SEK 6.2129	6.5193
AUD/JPY	74.59	-0.13	-0.28	-0.50	-0.95	SGD 0.8898	0.9336
AUD/EUR	0.6185	-0.0010	-0.0025	-0.0046	-0.0088	TWD 19.89	20.87
AUD/GBP	0.5232	-0.0003	-0.0004	-0.0005	-0.0007	ZAR 9.5338	10.0040
USD Index	97.66						
EUR/USD	1.1074	0.0026	0.0067	0.0131	0.0250	EQUITIES	
USD/JPY	108.90	-0.27	-0.63	-1.19	-2.24		Index
GBP/USD	1.3091	0.0017	0.0038	0.0069	0.0123	NZX50	11,210
EUR/GBP	0.8460	0.0009	0.0027	0.0055	0.0111	ASX200	6,607
						Dow Jones	27,689
						S&P 500	3,114
						FTSE100	7,189
						DAX 30	13,141
						Nikkei	23,135
						COMMODITIES	
							USD
						Dubai Light	61.34
						Brent Crude	63.33
						Gold	1,474.14
						Silver	16.86
						CRB Index	189.73
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		1.20%	1.16%	0.85%	0.83%		
90 day bank bills		1.23%	1.19%	0.92%	0.88%		
FRA 90d in 3mths		1.22%	1.19%	0.75%	0.70%		
FRA 180d in 6mths		1.19%	1.16%	0.77%	0.73%		
1 year swap*		1.20%	1.17%	0.73%	0.72%		
2 year swap*		1.20%	1.17%	0.72%	0.71%		
3 year swap*		1.21%	1.18%	0.76%	0.75%		
5 year swap*		1.29%	1.26%	0.96%	0.95%		
10 year swap*		1.59%	1.55%	1.29%	1.28%		
10 year Govt bond			1.37%		1.06%		

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

SOURCE: Bloomberg

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