



MARKET ALERT

Friday 6 December 2019 | www.bancorp-treasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6545	0.0016
NZD/AUD	0.9576	-0.0017
NZD/JPY	71.14	-0.60
NZD/EUR	0.5895	-0.0054
NZD/GBP	0.4974	-0.0013
NZD/CNH	4.6064	0.0347
AUD/USD	0.6835	0.0029
AUD/EUR	0.6156	-0.0045
EUR/USD	1.1102	0.0129
USD/CNH	7.0388	0.0358
GBP/USD	1.3158	0.0068
EUR/GBP	0.8437	0.0054

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.20%	0.90%
2 year swap	1.21%	0.71%
10 year Govt	1.45%	1.09%

Markets overnight

More of the same overnight as markets pondered whether the US will scrap tariff hikes on Chinese goods scheduled for 15 December. The 10 year Treasury yield rose 2 bps, the USD continued its fall, and US equities traded lower due to anxiety with the fast approaching 15 December deadline.

Weaker than expected US jobless claims and factory goods orders data raised concerns about tonight's US labour market data and caused the USD to fall for its sixth consecutive day.

The GBP/USD reached a six month high and the GBP/EUR hit a two and a half year high after more opinion polls indicated a majority for Boris Johnson's Conservative party at the 12 December election.

Poor German manufacturing orders data in October suggested that Europe's largest economy will remain sluggish for some time and hurt the EUR, especially against the GBP.

The NZD starts today with most of yesterday's gains intact.

RBNZ easier than expected

The RBNZ's final Capital Review decisions, announced yesterday, could be summed up as less for longer. The outcome was softer than the RBNZ indicated earlier this year and, more significantly, much softer than what local banks had feared. There was even more 'softness' in the detail. The currency market's reaction bordered on euphoric because a key domestic risk is reduced without compromising the overall reward in terms of New Zealand's economic performance and financial returns.

The RBNZ calculates that the banks can reach the new and higher capital requirements within the seven year time frame from retained earnings. Furthermore, it calculated that the new bank capital regime will add 20.5 bps to lending rates over the seven year period while adding 0.43% to GDP. Not surprisingly, banks estimate a higher

interest rate cost impact and lower GDP contribution, although their revised estimates are a long way below their previous scaremongering estimates.

The RBNZ's Capital Review was another in a string of positives for New Zealand and sent the NZD to four month highs against most currencies, and swap rates were up 5 or 6 bps across the curve.

Australian data disappoints, again

Australian retail sales in October were the same as in September, falling short of consensus for 0.3% rise after September's 0.2% rise. A rise in the eating out and food retailing categories was wiped out by falls in the department stores and clothing and footwear categories (each down 0.8%).

Australia recorded a trade surplus of AUD4.5 billion in October, down from September's AUD6.8 billion surplus and, more significantly for markets, short of consensus for a surplus of AUD6.5 billion. October's surplus was the lowest since April but continues the run of surplus greater than AUD4 billion in 2019.

Yesterday's Australian data releases were not doom and gloom. However, they fell short of expectations and, in doing so, added to the recent string of Australian data shortfalls. Yesterday's data gave the AUD a shove lower with its largest fall against the NZD because of the latter's post RBNZ surge.

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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	72.50					CAD	0.8621 0.9003
NZD/USD	0.6545	0.0004	0.0009	0.0016	0.0024	CHF	0.6460 0.6746
NZD/AUD	0.9576	-0.0002	-0.0007	-0.0017	-0.0042	CNY	4.6103 4.8147
NZD/JPY	71.14	-0.14	-0.32	-0.60	-1.20	DKK	4.4044 4.5997
NZD/EUR	0.5895	-0.0011	-0.0027	-0.0054	-0.0108	FJD	1.4233 1.4864
NZD/GBP	0.4974	-0.0004	-0.0007	-0.0013	-0.0027	HKD	5.1233 5.3504
						KRW	777.97 812.46
AU TWI	59.40					MYR	2.7255 2.8463
AUD/USD	0.6835	0.0005	0.0014	0.0029	0.0056	NOK	5.9767 6.2417
AUD/NZD	1.0443	0.0002	0.0007	0.0019	0.0046	SEK	6.2102 6.4855
AUD/JPY	74.30	-0.13	-0.28	-0.49	-0.93	SGD	0.8905 0.9300
AUD/EUR	0.6156	-0.0010	-0.0024	-0.0045	-0.0086	TWD	19.94 20.82
AUD/GBP	0.5194	-0.0003	-0.0004	-0.0005	-0.0005	ZAR	9.5868 10.0118
USD Index	97.40						
EUR/USD	1.1102	0.0026	0.0067	0.0129	0.0249	EQUITIES	
USD/JPY	108.72	-0.28	-0.64	-1.18	-2.23		Index
GBP/USD	1.3158	0.0017	0.0038	0.0068	0.0121	NZX50	11,258
EUR/GBP	0.8437	0.0009	0.0027	0.0054	0.0110	ASX200	6,683
						Dow Jones	27,652
						S&P 500	3,111
						FTSE100	7,138
						DAX 30	13,055
						Nikkei	23,300
						COMMODITIES	
							USD
						Dubai Light	62.51
						Brent Crude	63.32
						Gold	1,476.75
						Silver	16.98
						CRB Index	190.60
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		1.22%	1.18%	0.92%	0.88%		
FRA 90d in 3mths		1.24%	1.20%	0.75%	0.70%		
FRA 180d in 6mths		1.23%	1.19%	0.75%	0.71%		
1 year swap*		1.21%	1.18%	0.72%	0.71%		
2 year swap*		1.23%	1.20%	0.71%	0.70%		
3 year swap*		1.25%	1.22%	0.74%	0.73%		
5 year swap*		1.32%	1.29%	0.95%	0.94%		
10 year swap*		1.63%	1.60%	1.29%	1.28%		
10 year Govt bond			1.44%		1.09%		

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

SOURCE: Bloomberg

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