



# MARKET ALERT

Monday 9 December 2019 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6562	0.0017
NZD/AUD	0.9598	-0.0017
NZD/JPY	71.28	-0.60
NZD/EUR	0.5935	-0.0054
NZD/GBP	0.5002	-0.0014
NZD/CNH	4.6121	0.0354
AUD/USD	0.6837	0.0030
AUD/EUR	0.6183	-0.0046
EUR/USD	1.1057	0.0130
USD/CNH	7.0290	0.0360
GBP/USD	1.3119	0.0069
EUR/GBP	0.8428	0.0055

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.20%	0.89%
2 year swap	1.23%	0.73%
10 year Govt	1.49%	1.13%

## US again the standout economy

US non-farm payrolls rose by 266,000 in November, smashing expectations for a gain of around 190,000.

Furthermore, the two previous months' gains were revised up by 41,000, the unemployment rate edged down from 3.6% to 3.5%, equalling the multi decade low set in September, and average hourly earnings rose 3.1% over the November year, bettering expectations for a gain of 3.0%. The only negative was that the participation rate fell from 63.3% to 63.2%.

Most significant for the Fed and markets were the drop in the unemployment rate and the rise in average hourly earnings, which showed that the US remains the standout industrialised nation in terms of economic performance.

The labour market data reinforced the Fed's wait and see stance in the face of evidence that the US economy is performing better than previously expected.

Not surprisingly, Treasury yields, US stockmarkets and the USD rose and market risk sentiment lifted after the release of the labour market data. The data was released early enough to also lift European government bond yields and stockmarkets.

The NZD benefited from the lift in investor sentiment, but the stronger USD balanced that out on the NZD/USD, which ran out of steam at 0.6576 but the NZD outperformed the rest of its main cross-rates. The NZD/USD starting today around 0.6560, a level not seen since early August before Thursday.

## China feeling effects of trade war

China's trade surplus dropped in November to USD38.7 billion, from USD42.8 billion in October, and below expectations of USD46.6 billion. The drop was due entirely to exports being down 1.1% over the November year. Imports were up 0.3% for the year, slightly better than the flat outcome expected.

The US labour market and Chinese trade data no doubt pleased Donald Trump, given that he stated last week that he is more focused on jobs than stockmarkets and the fast approaching 15 December date for the US to increase tariffs on USD165 billion of Chinese goods (mostly consumer goods).

We expect Trump to resume tweeting this week about trade with China and how the US economy is still strong and China's is struggling.

## A busy week ahead

The monetary policy committees of the Fed and ECB meet this week. The Fed is expected to repeat its more optimistic economic outlook (compared to markets anyway) and wait and see stance that many other industrialised central banks have adopted recently.

The ECB meeting will be Christine Lagarde's first at the helm. Indications are that she will maintain her predecessor's stance but might add more strident rhetoric to the ECB's call for more fiscal easing by Eurozone governments.

And then there is the 15 December date for the US to increase tariffs on USD165 billion of Chinese goods. If those tariff increases proceed, markets will take that as a sign that the US/China trade talks are not progressing well. Conversely, a delay or even cancellation of those tariff increases will lift global sentiment and give the already buoyant NZD another boost.

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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	72.76					<b>CAD</b>	0.8698	0.9062
NZD/USD	0.6562	0.0004	0.0009	0.0017	0.0028	<b>CHF</b>	0.6499	0.6771
NZD/AUD	0.9598	-0.0002	-0.0007	-0.0017	-0.0038	<b>CNY</b>	4.6197	4.8134
NZD/JPY	71.28	-0.14	-0.31	-0.60	-1.18	<b>DKK</b>	4.4341	4.6201
NZD/EUR	0.5935	-0.0011	-0.0028	-0.0054	-0.0107	<b>FJD</b>	1.4280	1.4878
NZD/GBP	0.5002	-0.0004	-0.0007	-0.0014	-0.0026	<b>HKD</b>	5.1375	5.3530
						<b>KRW</b>	779.15	811.83
AU TWI	59.40					<b>MYR</b>	2.7305	2.8450
AUD/USD	0.6837	0.0005	0.0015	0.0030	0.0057	<b>NOK</b>	5.9929	6.2442
AUD/NZD	1.0419	0.0002	0.0008	0.0019	0.0042	<b>SEK</b>	6.2297	6.4909
AUD/JPY	74.28	-0.13	-0.27	-0.49	-0.93	<b>SGD</b>	0.8927	0.9301
AUD/EUR	0.6183	-0.0010	-0.0024	-0.0046	-0.0087	<b>TWD</b>	19.98	20.82
AUD/GBP	0.5212	-0.0003	-0.0004	-0.0005	-0.0006	<b>ZAR</b>	9.5946	9.9969
USD Index	97.70							
EUR/USD	1.1057	0.0026	0.0068	0.0130	0.0251	<b>EQUITIES</b>		
USD/JPY	108.64	-0.27	-0.63	-1.18	-2.25			<b>Index</b>
GBP/USD	1.3119	0.0017	0.0038	0.0069	0.0123	<b>NZX50</b>		11,276
EUR/GBP	0.8428	0.0009	0.0027	0.0055	0.0111	<b>ASX200</b>		6,707
						<b>Dow Jones</b>		28,015
						<b>S&amp;P 500</b>		3,146
						<b>FTSE100</b>		7,240
						<b>DAX 30</b>		13,167
						<b>Nikkei</b>		23,354
						<b>COMMODITIES</b>		
								<b>USD</b>
						<b>Dubai Light</b>		63.89
						<b>Brent Crude</b>		64.39
						<b>Gold</b>		1,459.78
						<b>Silver</b>		16.57
						<b>CRB Index</b>		191.57

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.21%	1.17%	0.84%	0.82%
90 day bank bills	1.22%	1.18%	0.91%	0.87%
FRA 90d in 3mths	1.23%	1.20%	0.75%	0.70%
FRA 180d in 6mths	1.25%	1.22%	0.76%	0.72%
1 year swap*	1.22%	1.20%	0.77%	0.76%
2 year swap*	1.24%	1.22%	0.74%	0.72%
3 year swap*	1.27%	1.25%	0.75%	0.74%
5 year swap*	1.36%	1.34%	0.97%	0.94%
10 year swap*	1.67%	1.65%	1.31%	1.30%
10 year Govt bond		1.47%		1.13%

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

SOURCE: Bloomberg

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