



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 24 January 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6592	0.0016
NZD/AUD	0.9638	-0.0016
NZD/JPY	72.17	-0.54
NZD/EUR	0.5965	-0.0052
NZD/GBP	0.5031	-0.0016
NZD/CNH	4.5683	0.0339
AUD/USD	0.6840	0.0028
AUD/EUR	0.6190	-0.0043
EUR/USD	1.1050	0.0123
USD/CNH	6.9298	0.0345
GBP/USD	1.3103	0.0074
EUR/GBP	0.8433	0.0046

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.27%	0.89%
2 year swap	1.22%	0.73%
10 year Govt	1.49%	1.10%

Misleading jobs data across the ditch

Australia posted stronger than expected headline jobs data for December which will have the RBA slightly relieved as the minutes from the December meeting indicated a full reassessment of the economic outlook in February 2020, with labour market developments being the key.

The unemployment rate eased from 5.2% in November to 5.1% in December with the participation rate remaining unchanged at 66.0%. Employment rose by 28,900 in December, which almost

tripled the median forecast for a 10,000 increase. However, the devil was in the detail which revealed that part time employment increased 29,200 and full time employment decreased 300. Hours worked increased 2.3% year on year.

The employment numbers in November and December tracked in line with the RBA's forecasts and could be enough for it to pause in February. Headwinds remain globally and domestically; the virus coming out of China, the devastating bush fires that are expected to take a toll of GDP and worries about underperforming inflation.

The AUD rallied on the data release but quickly retracted those gains as the markets dove into the detail and discovered the news wasn't as promising as the headline, and also worried about the effect of China's coronavirus outbreak on the Australian economy.

ECB

Unsurprisingly, the ECB left its interest rates unchanged yesterday and committed to maintaining its existing monthly bond purchasing programme. ECB President, Christine Lagarde, underlined her commitment to the ECB's first policy rethink since 2003 with, "we are going to review a whole host of issues" covering "how we deliver, how we measure, what tools we have, and how we communicate."

It will also tackle other considerations, such as financial stability, employment,

and environment stability. The ECB's policy assessment is due by the end of 2020, so expect to hear plenty of noise, but little substance in the coming months.

Elsewhere

In a warning to governments, IMF Managing Director Kristalina Georgieva stated, "monetary policy has served us well," but warned that "it can't be the only saviour of global growth. We are keen to see governments stepping up on the policy front."

Meanwhile, Donald Trump continues his plan for a second term with Treasury Secretary, Steven Mnuchin, letting slip that he is putting together another tax cut package, this time aimed at the US middle classes, even though the US is running a trillion dollar budget deficit and national debt is in excess of USD23 trillion.

While Mnuchin acknowledged that government spending needs to slow, he maintained the White House line that the tax cuts will pay for themselves through economic growth.

In China, two more large cities were put on lockdown by government authorities, expanding the total to three in an unprecedented experiment to try to contain a fast spreading coronavirus.

The main Shanghai stockmarket index fell 2.8% yesterday, its biggest daily fall since May, another sign of market nerves.

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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	72.61					CAD	0.8659 0.8984
NZD/USD	0.6592	0.0003	0.0009	0.0016	0.0025	CHF	0.6394 0.6634
NZD/AUD	0.9638	-0.0002	-0.0006	-0.0016	-0.0040	CNY	4.5506 4.7215
NZD/JPY	72.17	-0.09	-0.26	-0.54	-1.15	DKK	4.4579 4.6253
NZD/EUR	0.5965	-0.0009	-0.0026	-0.0052	-0.0107	FJD	1.4311 1.4849
NZD/GBP	0.5031	-0.0003	-0.0008	-0.0016	-0.0037	HKD	5.1237 5.3161
						KRW	770.91 799.86
AU TWI	59.10					MYR	2.6830 2.7837
AUD/USD	0.6840	0.0004	0.0013	0.0028	0.0054	NOK	5.9323 6.1551
AUD/NZD	1.0376	0.0002	0.0007	0.0017	0.0043	SEK	6.2842 6.5202
AUD/JPY	74.89	-0.08	-0.22	-0.44	-0.89	SGD	0.8908 0.9243
AUD/EUR	0.6190	-0.0008	-0.0023	-0.0043	-0.0086	TWD	19.80 20.55
AUD/GBP	0.5220	-0.0002	-0.0005	-0.0008	-0.0016	ZAR	9.4844 9.8406
USD Index	97.73						
EUR/USD	1.1050	0.0021	0.0062	0.0123	0.0244	EQUITIES	
USD/JPY	109.50	-0.18	-0.53	-1.08	-2.15		Index
GBP/USD	1.3103	0.0012	0.0037	0.0074	0.0145	NZX50	11,901
EUR/GBP	0.8433	0.0008	0.0024	0.0046	0.0092	ASX200	7,088
						Dow Jones	29,136
						S&P 500	3,319
						FTSE100	7,508
						DAX 30	13,388
						Nikkei	23,795
						COMMODITIES	
							USD
						Dubai Light	61.88
						Brent Crude	61.70
						Gold	1,561.28
						Silver	17.78
						CRB Index	188.72

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.21%	1.17%	0.85%	0.83%
90 day bank bills	1.29%	1.25%	0.91%	0.87%
FRA 90d in 3mths	1.21%	1.18%	0.76%	0.71%
FRA 180d in 6mths	1.18%	1.15%	0.79%	0.75%
1 year swap*	1.22%	1.19%	0.75%	0.74%
2 year swap*	1.23%	1.21%	0.73%	0.72%
3 year swap*	1.25%	1.23%	0.76%	0.75%
5 year swap*	1.34%	1.32%	0.95%	0.94%
10 year swap*	1.64%	1.62%	1.25%	1.25%
10 year Govt bond		1.48%		1.10%

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

SOURCE: Bloomberg

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