



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 10 February 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6400	0.0012
NZD/AUD	0.9585	-0.0012
NZD/JPY	70.22	-0.54
NZD/EUR	0.5849	-0.0051
NZD/GBP	0.4969	-0.0014
NZD/CNH	4.4819	0.0281
AUD/USD	0.6678	0.0021
AUD/EUR	0.6100	-0.0046
EUR/USD	1.0947	0.0119
USD/CNH	7.0030	0.0303
GBP/USD	1.2890	0.0060
EUR/GBP	0.8493	0.0052

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.25%	0.92%
2 year swap	1.15%	0.71%
10 year Govt	1.34%	1.04%

Strong US labour market data

US Nonfarm payrolls exceeded expectations but not enough to close out the week on an equity high.

Friday night saw a headline payroll print of 225,000 jobs added, beating expectations of 158,000, with the December and November payroll numbers also revised up to show an additional 7,000 jobs created than previously reported. The headline unemployment rate held steady at 3.6% but there was a pickup in wage gains,

with average hourly earnings rising at 3.1% year on year. However, the gloss was taken off the headline numbers by the announcement that the US economy had created 514,000 fewer jobs than previously reported across the April 2018 to March 2019 period. This was the biggest downgrade to payrolls over a 12 month period since 2009, taking a lot of the shine off the employment report.

Further caution was highlighted within the Fed's latest monetary policy report which highlighted a "moderately" expanding US economy that was slowed last year by a manufacturing slump and weak global growth. While the Fed acknowledged that some of the key risks had receded, noting that "the downside risks to the U.S. outlook seem to have receded in the latter part of the year as the conflicts over trade policy diminished," the Fed did warn of possible risks that could become a problem in an economic downturn including, the possible fallout from the coronavirus outbreak in China, "elevated" asset values, and near record levels of low grade corporate debt. By law, twice a year the Fed must prepare a formal report for the US Congress on the economy and monetary policy.

Overall, while the headline employment data was positive, the warnings weighed on sentiment. US equity markets eased off their highs as investors sought comfort in bonds. The Dow eventually closed down 277 points while the US

10 year treasury eventually closed at a yield of 1.58% (down 6 basis points) but the most pain was felt in the foreign exchange markets.

In a strong flight to safe haven currencies, the NZD and AUD were both hit hard and are currently trading near 0.6400 and 0.6680 respectively against the USD. The NZD/AUD is currently sitting just below 0.9600. Interestingly, we have the RBNZ on Wednesday with their first interest rate announcement of the year but the headlines will focus on their thoughts regarding coronavirus.

Coronavirus

The death toll from the coronavirus outbreak has now surpassed that of the SARS epidemic as the number of fatalities topped 810 people, with the number of cases over 37,500. We have also seen the number of infections in Australia start to increase and, unfortunately, it seems only a matter of time before the first case in New Zealand is reported.

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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	71.46					CAD 0.8514	0.8883
NZD/USD	0.6400	0.0002	0.0006	0.0012	0.0019	CHF 0.6256	0.6527
NZD/AUD	0.9585	-0.0002	-0.0005	-0.0012	-0.0031	CNY 4.4834	4.6778
NZD/JPY	70.22	-0.08	-0.27	-0.54	-1.13	DKK 4.3689	4.5583
NZD/EUR	0.5849	-0.0008	-0.0026	-0.0051	-0.0105	FJD 1.4036	1.4645
NZD/GBP	0.4969	-0.0002	-0.0007	-0.0014	-0.0030	HKD 4.9718	5.1873
						KRW 763.00	796.07
AU TWI	58.40					MYR 2.6600	2.7753
AUD/USD	0.6678	0.0003	0.0010	0.0021	0.0041	NOK 5.9483	6.2061
AUD/NZD	1.0434	0.0002	0.0006	0.0013	0.0034	SEK 6.1832	6.4512
AUD/JPY	73.24	-0.07	-0.24	-0.47	-0.94	SGD 0.8895	0.9281
AUD/EUR	0.6100	-0.0008	-0.0024	-0.0046	-0.0090	TWD 19.28	20.11
AUD/GBP	0.5181	-0.0001	-0.0004	-0.0008	-0.0015	ZAR 9.6427	10.0607
USD Index	98.68						
EUR/USD	1.0947	0.0019	0.0060	0.0119	0.0233	EQUITIES	
USD/JPY	109.68	-0.17	-0.53	-1.05	-2.08		Index
GBP/USD	1.2890	0.0010	0.0031	0.0060	0.0118	NZX50	11,761
EUR/GBP	0.8493	0.0008	0.0026	0.0052	0.0102	ASX200	7,023
						Dow Jones	29,103
						S&P 500	3,328
						FTSE100	7,467
						DAX 30	13,514
						Nikkei	23,828
						COMMODITIES	
							USD
						Dubai Light	54.75
						Brent Crude	54.47
						Gold	1,570.18
						Silver	17.66
						CRB Index	180.35
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		1.21%	1.17%	0.83%	0.81%		
90 day bank bills		1.27%	1.23%	0.94%	0.90%		
FRA 90d in 3mths		1.18%	1.10%	0.79%	0.74%		
FRA 180d in 6mths		1.14%	1.11%	0.76%	0.72%		
1 year swap*		1.18%	1.16%	0.76%	0.74%		
2 year swap*		1.15%	1.14%	0.71%	0.70%		
3 year swap*		1.16%	1.14%	0.72%	0.71%		
5 year swap*		1.21%	1.19%	0.88%	0.86%		
10 year swap*		1.50%	1.48%	1.17%	1.15%		
10 year Govt bond			1.32%		1.04%		

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

SOURCE: Bloomberg

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