



# MARKET ALERT

Wednesday 12 February 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6401	0.0013
NZD/AUD	0.9538	-0.0012
NZD/JPY	70.26	-0.54
NZD/EUR	0.5862	-0.0052
NZD/GBP	0.4941	-0.0014
NZD/CNH	4.4605	0.0299
AUD/USD	0.6711	0.0022
AUD/EUR	0.6146	-0.0046
EUR/USD	1.0919	0.0119
USD/CNH	6.9689	0.0328
GBP/USD	1.2955	0.0061
EUR/GBP	0.8428	0.0052

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.23%	0.91%
2 year swap	1.09%	0.73%
10 year Govt	1.28%	1.02%

## Fed testimony

Fed Chairman Powell began two days of testimony to Congress overnight. While a lot of the testimony is released in advance, Mr Powell was quick to emphasise that, *“we find the U.S. economy in a very good place, performing well,”* although he did cite the potential threat from coronavirus and concerns about the economy’s long-term health.

The pace of job gains has *“remained above what is needed to provide jobs for new workers who enter the labour force,”* although productivity gains *“have been subpar throughout this economic expansion.”*

Chairman Powell emphasised that he expects inflation to move closer to the Fed’s 2% target over the next few months and, in a jab at a certain President, he warned about the growing federal deficit. *“Putting the federal budget on a sustainable path when the economy is strong would help ensure that policymakers have the space to use fiscal policy to assist in stabilizing the economy over a downturn,”* he said.

Coincidentally, the Federal Reserve Bank of New York reported that American households have added an additional USD 193 billion of debt in Q4 2019, and overall household debt reached USD 14.15 trillion. Yes, 14.15 trillion! Now we know how the US consumer is able to maintain their spending habits!

## Coronavirus

While it may be a little premature, European and US equity markets rallied as sentiment was lifted by the slowing number of new coronavirus cases in China. The rally was fuelled by a Chinese health adviser suggesting that the epidemic may be about to plateau in the coming weeks, and be over by April, even as the death toll climbed above 1,000.

## UK economy narrowly avoids contraction

The UK avoided contraction in the December quarter which indicates the economy has picked up following Boris Johnsons successful election.

GDP was flat in the December quarter, in line with market consensus, however, the month of December grew by 0.3%, beating market estimates of a 0.2% rise, bringing year on year GDP up to 1.1%.

Consumer spending rose only 0.1% during the December quarter, the slowest pace since 2015, meanwhile business investment fell 1.0%, the biggest drop since 2016. Growth in the services sector, which accounts for 80% of the UK economy, slowed significantly, and manufacturing fell for a third straight quarter. Government spending increased 2.1% over the December quarter which smashed market consensus of a 0.5% rise. Looking ahead, BOE policy makers see the U.K economy growing by 1.0% this year, its weakest pace since the financial crisis.

The GBP/USD rallied slightly on the announcement and hovers around 1.2950 at the time of writing.

Today we have the release of the Monetary Policy Statements (MPS) and Official Cash Rate (OCR) announcements from the Reserve Bank of New Zealand, their first announcement since November last year. While a lot has happened since last November, we are anticipating that Governor Orr will be moderately positive on the domestic economy, comfortable with the latest inflation, unemployment prints, and GDP readings. Overall, though we expect him to maintain the same line as FED Chair and RBA Governor regarding coronavirus.

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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	71.23					<b>CAD</b>	0.8508 0.8920
NZD/USD	0.6401	0.0002	0.0006	0.0013	0.0020	<b>CHF</b>	0.6243 0.6545
NZD/AUD	0.9538	-0.0003	-0.0006	-0.0012	-0.0029	<b>CNY</b>	4.4586 4.6745
NZD/JPY	70.26	-0.09	-0.28	-0.54	-1.13	<b>DKK</b>	4.3803 4.5925
NZD/EUR	0.5862	-0.0009	-0.0026	-0.0052	-0.0105	<b>FJD</b>	1.4104 1.4788
NZD/GBP	0.4941	-0.0002	-0.0007	-0.0014	-0.0030	<b>HKD</b>	4.9707 5.2114
						<b>KRW</b>	756.69 793.35
AU TWI	58.30					<b>MYR</b>	2.6447 2.7728
AUD/USD	0.6711	0.0004	0.0011	0.0022	0.0042	<b>NOK</b>	5.9226 6.2095
AUD/NZD	1.0484	0.0003	0.0007	0.0013	0.0032	<b>SEK</b>	6.1654 6.4640
AUD/JPY	73.67	-0.07	-0.24	-0.47	-0.96	<b>SGD</b>	0.8873 0.9303
AUD/EUR	0.6146	-0.0007	-0.0023	-0.0046	-0.0092	<b>TWD</b>	19.23 20.16
AUD/GBP	0.5180	-0.0001	-0.0004	-0.0008	-0.0015	<b>ZAR</b>	9.4697 9.9283
USD Index	98.74						
EUR/USD	1.0919	0.0019	0.0060	0.0119	0.0235	<b>EQUITIES</b>	
USD/JPY	109.78	-0.17	-0.54	-1.06	-2.11		<b>Index</b>
GBP/USD	1.2955	0.0010	0.0031	0.0061	0.0119	<b>NZX50</b>	11,835
EUR/GBP	0.8428	0.0008	0.0026	0.0052	0.0103	<b>ASX200</b>	7,055
						<b>Dow Jones</b>	29,304
						<b>S&amp;P 500</b>	3,367
						<b>FTSE100</b>	7,499
						<b>DAX 30</b>	13,628
						<b>Nikkei</b>	23,686
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	53.32
						<b>Brent Crude</b>	54.19
						<b>Gold</b>	1,568.16
						<b>Silver</b>	17.64
						<b>CRB Index</b>	179.94

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.18%	1.14%	0.82%	0.80%
90 day bank bills	1.25%	1.21%	0.93%	0.89%
FRA 90d in 3mths	1.12%	1.04%	0.81%	0.76%
FRA 180d in 6mths	1.10%	1.07%	0.79%	0.75%
1 year swap*	1.15%	1.12%	0.77%	0.76%
2 year swap*	1.10%	1.07%	0.73%	0.72%
3 year swap*	1.10%	1.07%	0.74%	0.73%
5 year swap*	1.16%	1.13%	0.91%	0.89%
10 year swap*	1.44%	1.41%	1.19%	1.17%
10 year Govt bond		1.27%		1.02%

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

SOURCE: Bloomberg

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