



MARKET ALERT

Thursday 20 February 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6374	0.0012
NZD/AUD	0.9553	-0.0015
NZD/JPY	71.02	-0.56
NZD/EUR	0.5904	-0.0053
NZD/GBP	0.4938	-0.0014
NZD/CNH	4.4688	0.0279
AUD/USD	0.6672	0.0023
AUD/EUR	0.6181	-0.0046
EUR/USD	1.0794	0.0118
USD/CNH	7.0115	0.0303
GBP/USD	1.2909	0.0060
EUR/GBP	0.8362	0.0052

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.17%	0.90%
2 year swap	1.11%	0.72%
10 year Govt	1.33%	1.04%

The yen slipped into a nine month low against the USD as the market makes bets on the Japanese economy slipping into a technical recession after data earlier in the week showed the economy contracted a massive 1.6% in the December quarter. These bets on Japan entering a recession could play a part in the USD reaching multi year highs as markets see the JPY as less of a safe haven currency.

The 10 year Treasury yield was largely unchanged overnight while gold traded near its 2013 highs. US equities rallied on signs that China may be planning further measures to support its economy. Oil rallied following US sanctions on Russia's largest producer and conflict in Libya put the pressure on supply.

Data prints

Data wise, the Australian Westpac leading index rose in line with expectations. The index looks at economic variables which tend to move before changes in the overall economy. Markets will have a close eye on the Australian unemployment numbers out today.

Consumer prices in the UK rose 1.8% over the year to January, up significantly from the 1.3% print in December. While inflation remains slightly below the Bank of England's 2.0% annual target, the wider expectation is that interest rates

in the UK will remain on hold over the foreseeable future as the UK begins trade negotiations with the EU.

The US Producer Price Index, a measurement of the change in selling prices producers charge for goods and services, was up a seasonally adjusted 0.5% in January from a month earlier, and 2.1% on the year. This was against an expected rise of 0.1% and 1.6%. As an early indicator to inflationary pressures though, it does not always translate into what consumers pay.

There was also some contractionary housing data from the US as construction of new homes fell 3.6% in January but building permits for new construction, which are a bellwether for future construction, hit a 13 year high, rising 9.2% month on month to a seasonally adjusted 1.551m.

The powerful US dollar

The NZD/USD fell overnight to its lowest level since November as strong US data pushed the USD to a 3 year high. The NZD/AUD still hovers around 0.9550.

Meanwhile, the EUR/USD is feeling the heat as it trades below 1.0800 for the first time since 2017. A trade battle looms between the US and Europe and the Brexit debacle indicates the pain may not be over for the Eurozone any time soon.

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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	71.30					CAD	0.8433 0.8828
NZD/USD	0.6374	0.0002	0.0007	0.0012	0.0019	CHF	0.6272 0.6566
NZD/AUD	0.9553	-0.0003	-0.0007	-0.0015	-0.0034	CNY	4.4604 4.6693
NZD/JPY	71.02	-0.09	-0.28	-0.56	-1.16	DKK	4.4099 4.6165
NZD/EUR	0.5904	-0.0009	-0.0026	-0.0053	-0.0108	FJD	1.4056 1.4714
NZD/GBP	0.4938	-0.0002	-0.0007	-0.0014	-0.0030	HKD	4.9539 5.1859
						KRW	760.24 795.85
AU TWI	58.40					MYR	2.6628 2.7875
AUD/USD	0.6672	0.0004	0.0012	0.0023	0.0043	NOK	5.9123 6.1892
AUD/NZD	1.0468	0.0003	0.0008	0.0016	0.0037	SEK	6.2435 6.5359
AUD/JPY	74.36	-0.07	-0.23	-0.47	-0.96	SGD	0.8890 0.9306
AUD/EUR	0.6181	-0.0008	-0.0023	-0.0046	-0.0092	TWD	19.20 20.10
AUD/GBP	0.5169	-0.0001	-0.0003	-0.0006	-0.0013	ZAR	9.5483 9.9956
USD Index	99.69						
EUR/USD	1.0794	0.0020	0.0059	0.0118	0.0233	EQUITIES	
USD/JPY	111.45	-0.18	-0.55	-1.09	-2.14		Index
GBP/USD	1.2909	0.0011	0.0031	0.0060	0.0116	NZX50	11,981
EUR/GBP	0.8362	0.0009	0.0026	0.0052	0.0105	ASX200	7,145
						Dow Jones	29,382
						S&P 500	3,390
						FTSE100	7,457
						DAX 30	13,789
						Nikkei	23,401
						COMMODITIES	
							USD
						Dubai Light	56.73
						Brent Crude	59.17
						Gold	1,607.34
						Silver	18.33
						CRB Index	186.04

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.13%	1.09%	0.82%	0.80%
90 day bank bills	1.19%	1.15%	0.92%	0.88%
FRA 90d in 3mths	1.15%	1.12%	0.80%	0.75%
FRA 180d in 6mths	1.12%	1.09%	0.76%	0.72%
1 year swap*	1.14%	1.11%	0.76%	0.75%
2 year swap*	1.12%	1.09%	0.72%	0.71%
3 year swap*	1.13%	1.10%	0.72%	0.72%
5 year swap*	1.19%	1.16%	0.87%	0.86%
10 year swap*	1.47%	1.44%	1.16%	1.14%
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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