



# MARKET ALERT

Friday 21 February 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6335	0.0012
NZD/AUD	0.9575	-0.0016
NZD/JPY	70.97	-0.56
NZD/EUR	0.5870	-0.0052
NZD/GBP	0.4917	-0.0014
NZD/CNH	4.4660	0.0291
AUD/USD	0.6616	0.0024
AUD/EUR	0.6130	-0.0044
EUR/USD	1.0792	0.0117
USD/CNH	7.0504	0.0328
GBP/USD	1.2883	0.0059
EUR/GBP	0.8377	0.0052

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.16%	0.89%
2 year swap	1.08%	0.66%
10 year Govt	1.30%	1.00%

## Markets overnight

The USD/JPY soared from 109.87 to 112.05 as the market increased odds the Japanese economy is heading into recession in March 2020 and regarding the JPY as less of a safe haven currency, increasing flows into the USD.

The USD strength and increased risk off sentiment saw the NZD/USD get whacked through 0.6350 and hovers around 0.6335 at the time of writing. The AUD/USD was also hit and is trading around 0.6617. The coronavirus is driving risk off sentiment with more fatalities and confirmed cases outside

of China. The USD/CNH jumped to its highest level this year reaching 7.0511 at the time of writing.

US equities fell as the market expects the coronavirus will have a greater detrimental effect on corporate earnings. Gold rallied to a seven-year high and the US 10 year Treasury yield fell 5bps to 1.52%.

In some better news, UK retail sales jumped the most in almost two years in January, ending the worst run for British stores on record and adding to signs of an economic rebound after the December election created a Brexit breakthrough.

## Australian labour market update

Australia's unemployment rate rose in January despite a surge in full time employment as more people sort work. The outlook for Australia's labour market doesn't look promising as effects from the coronavirus and recent extreme weather events could create a spike in the jobless rate.

The unemployment rate rose to 5.3% in January from 5.1% in December, which was above market expectations of 5.2%. On a whole, employment rose by 13,500 in January, coming in above market expectations of a 10,000 rise. The break down of the jobs added was important; 46,200 full time jobs were added while 32,700 part time jobs were lost.

Hours worked declined in January falling 0.4% month on month resulting in a yearly gain of 0.9%. Growth in hours worked has been pulling back at a faster pace than the slowdown in job gains. The demand for labour also fell over January.

What's more concerning is the outlook for Australia's labour market; the data doesn't reflect the impact of the coronavirus shutdown in China on export and import industries which could see the unemployment rate shoot up in coming months.

As we know, the RBA monitors the developments in the labour market very closely. In the latest RBA meeting minutes (4 February) it stated "*the unemployment rate was expected to remain in the 5.00%-5.25% for some time before declining to 4.75% in 2021, as GDP and employment growth picked up.*"

Therefore, you could argue that the RBA anticipated weakness in the labour market and it will not come as a shock. Despite this, the market will price in more chance of a cut over the first half of this year, which will have downward pressure on the AUD/USD and Australian swap rates.

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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	71.17					<b>CAD</b> 0.8398	0.8771
NZD/USD	0.6335	0.0002	0.0006	0.0012	0.0019	<b>CHF</b> 0.6233	0.6510
NZD/AUD	0.9575	-0.0003	-0.0008	-0.0016	-0.0035	<b>CNY</b> 4.4486	4.6462
NZD/JPY	70.97	-0.09	-0.28	-0.56	-1.14	<b>DKK</b> 4.3834	4.5782
NZD/EUR	0.5870	-0.0009	-0.0027	-0.0052	-0.0106	<b>FJD</b> 1.3984	1.4606
NZD/GBP	0.4917	-0.0002	-0.0007	-0.0014	-0.0028	<b>HKD</b> 4.9295	5.1485
						<b>KRW</b> 764.86	798.85
AU TWI	58.20					<b>MYR</b> 2.6517	2.7695
AUD/USD	0.6616	0.0004	0.0012	0.0024	0.0044	<b>NOK</b> 5.9017	6.1639
AUD/NZD	1.0444	0.0003	0.0009	0.0018	0.0039	<b>SEK</b> 6.2162	6.4925
AUD/JPY	74.12	-0.07	-0.23	-0.46	-0.92	<b>SGD</b> 0.8876	0.9270
AUD/EUR	0.6130	-0.0007	-0.0023	-0.0044	-0.0088	<b>TWD</b> 19.17	20.02
AUD/GBP	0.5135	-0.0001	-0.0003	-0.0005	-0.0011	<b>ZAR</b> 9.5660	9.9911
USD Index	99.84						
EUR/USD	1.0792	0.0019	0.0060	0.0117	0.0231	<b>EQUITIES</b>	
USD/JPY	112.04	-0.17	-0.55	-1.08	-2.13		<b>Index</b>
GBP/USD	1.2883	0.0010	0.0031	0.0060	0.0113	<b>NZX50</b>	12,065
EUR/GBP	0.8377	0.0008	0.0026	0.0052	0.0105	<b>ASX200</b>	7,162
						<b>Dow Jones</b>	29,186
						<b>S&amp;P 500</b>	3,361
						<b>FTSE100</b>	7,437
						<b>DAX 30</b>	13,664
						<b>Nikkei</b>	23,479
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	57.87
						<b>Brent Crude</b>	59.42
						<b>Gold</b>	1,619.45
						<b>Silver</b>	18.35
						<b>CRB Index</b>	185.41

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.12%	1.08%	0.81%	0.79%
90 day bank bills	1.18%	1.14%	0.91%	0.87%
FRA 90d in 3mths	1.14%	1.11%	0.75%	0.70%
FRA 180d in 6mths	1.09%	1.06%	0.71%	0.67%
1 year swap*	1.10%	1.07%	0.72%	0.71%
2 year swap*	1.09%	1.07%	0.67%	0.66%
3 year swap*	1.11%	1.08%	0.67%	0.66%
5 year swap*	1.16%	1.14%	0.82%	0.80%
10 year swap*	1.43%	1.41%	1.10%	1.09%
10 year Govt bond		1.29%		1.00%

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

SOURCE: Bloomberg

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