



MARKET ALERT

Wednesday 5 February 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6485	0.0015
NZD/AUD	0.9630	-0.0013
NZD/JPY	70.98	-0.52
NZD/EUR	0.5872	-0.0050
NZD/GBP	0.4972	-0.0012
NZD/CNH	4.5324	0.0338
AUD/USD	0.6734	0.0025
AUD/EUR	0.6098	-0.0044
EUR/USD	1.1042	0.0121
USD/CNH	6.9896	0.0354
GBP/USD	1.3042	0.0063
EUR/GBP	0.8466	0.0052

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.25%	0.90%
2 year swap	1.12%	0.69%
10 year Govt	1.22%	0.92%

Market wrap

Risk-on market sentiment overnight as global sharemarkets and commodities, such as copper and oil, make a rebound, while gold and Treasuries plunged as the market makes bets that the global economy can withstand the impact from the coronavirus after China's equity sell off eased.

Data wise, and contributing to the risk on rally, US December factory orders increased 1.8%, its biggest monthly increase since August 2018. Expectations were for a 1.4% increase. The release

was the first since the announcement of the US/China phase 1 trade deal and highlights the impact the trade dispute had on US manufacturing last year. The December rise was largely driven by new orders for long lasting durable goods, such as airplanes and computers. Orders for nondurable goods, such as food and clothing, were up 1.1%.

RBA sits steady

An upbeat RBA held the official cash rate steady at 0.75% with Governor Lowe highlighting improved unemployment figures for December, low borrowing costs, recent tax refunds, and an improving property market. While he did acknowledge the looming economic impact of the summer bushfires and coronavirus, he did not elaborate, instead stating, "it is too early to determine how long-lasting the impact will be." Instead, the RBA statement chose to highlight recent positives on CPI and GDP with "CPI inflation to be around 2 per cent in the near term and to fluctuate around that rate over the next couple of years" and "the central scenario is for the Australian economy to grow by around 2.75 per cent this year and 3 per cent next year."

While the decision to maintain rates at these levels was largely anticipated by market participants, the statement heightened and supported expectations that there will be a cut later this year as the RBA "remains prepared to ease monetary policy further if needed to support

sustainable growth in the economy, full employment and the achievement of the inflation target over time."

China and beyond

China's central bank injected an CNY500 billion (USD71.21 billion) worth of liquidity into the banking system on Tuesday via reverse repurchase agreements after offering an even larger amount of funds a day earlier. This helped stabilise Chinese equities with the Shanghai Composite Index up 1.3% after plunging on Monday.

The largest quarantine in history continues as China has 50 million people locked down in more than a dozen cities to try and stop the coronavirus from spreading. It takes 14 days for the symptoms to appear which means China will soon find out if it has worked. If the market sees China succeed, we could see the NZD/USD shoot up to December highs while a virus outbreak could push us down to October lows. Volatility is just around the corner.

Finally, overnight the results of the Global Dairy Auction were not as bad as first feared. Going into the auction there were concerns of large scale losses so the actual headline print of -4.7% was better than expected. In saying that, the main product, whole milk powder, was down 6.2%. Negative numbers but still positive!

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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	72.01					CAD	0.8608 0.8939
NZD/USD	0.6485	0.0003	0.0008	0.0015	0.0024	CHF	0.6286 0.6528
NZD/AUD	0.9630	-0.0002	-0.0005	-0.0013	-0.0033	CNY	4.5378 4.7124
NZD/JPY	70.98	-0.08	-0.26	-0.52	-1.12	DKK	4.3880 4.5568
NZD/EUR	0.5872	-0.0008	-0.0025	-0.0050	-0.0104	FJD	1.4229 1.4776
NZD/GBP	0.4972	-0.0002	-0.0006	-0.0012	-0.0029	HKD	5.0353 5.2290
						KRW	767.95 797.50
AU TWI	58.20					MYR	2.6593 2.7616
AUD/USD	0.6734	0.0004	0.0012	0.0025	0.0048	NOK	5.9732 6.2030
AUD/NZD	1.0385	0.0002	0.0006	0.0014	0.0036	SEK	6.2221 6.4615
AUD/JPY	73.73	-0.07	-0.23	-0.44	-0.91	SGD	0.8884 0.9225
AUD/EUR	0.6098	-0.0007	-0.0023	-0.0044	-0.0087	TWD	19.53 20.28
AUD/GBP	0.5163	-0.0001	-0.0003	-0.0005	-0.0012	ZAR	9.5840 9.9527
USD Index	97.96						
EUR/USD	1.1042	0.0019	0.0061	0.0121	0.0240	EQUITIES	
USD/JPY	109.50	-0.17	-0.54	-1.06	-2.12		Index
GBP/USD	1.3042	0.0010	0.0031	0.0063	0.0124	NZX50	11,511
EUR/GBP	0.8466	0.0008	0.0026	0.0052	0.0103	ASX200	6,949
						Dow Jones	28,901
						S&P 500	3,303
						FTSE100	7,440
						DAX 30	13,282
						Nikkei	23,085
						COMMODITIES	
							USD
						Dubai Light	53.99
						Brent Crude	54.47
						Gold	1,550.95
						Silver	17.59
						CRB Index	178.58
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		1.27%	1.23%	0.92%	0.88%		
FRA 90d in 3mths		1.12%	1.05%	0.75%	0.70%		
FRA 180d in 6mths		1.04%	1.01%	0.74%	0.70%		
1 year swap*		1.17%	1.14%	0.73%	0.72%		
2 year swap*		1.13%	1.10%	0.69%	0.68%		
3 year swap*		1.12%	1.10%	0.70%	0.69%		
5 year swap*		1.17%	1.14%	0.87%	0.86%		
10 year swap*		1.44%	1.42%	1.17%	1.16%		
10 year Govt bond			1.20%		0.92%		

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

SOURCE: Bloomberg

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