



# MARKET ALERT

Friday 7 February 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.6461 | 0.0014  |
| NZD/AUD    | 0.9596 | -0.0010 |
| NZD/JPY    | 71.05  | -0.53   |
| NZD/EUR    | 0.5887 | -0.0051 |
| NZD/GBP    | 0.4999 | -0.0013 |
| NZD/CNH    | 4.5082 | 0.0309  |
| AUD/USD    | 0.6733 | 0.0022  |
| AUD/EUR    | 0.6135 | -0.0047 |
| EUR/USD    | 1.0974 | 0.0119  |
| USD/CNH    | 6.9783 | 0.0328  |
| GBP/USD    | 1.2926 | 0.0062  |
| EUR/GBP    | 0.8490 | 0.0052  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 1.00% | 0.75%     |
| 90 day bills | 1.26% | 0.93%     |
| 2 year swap  | 1.17% | 0.75%     |
| 10 year Govt | 1.33% | 1.09%     |

## Corona-what?

US stocks maintained the weeks resurgence with investors believing central banks will mitigate any coronavirus induced weakness. Over the last 4 days the S&P 500 has returned 3.5% as US indices, quite remarkably, have yet again recorded new highs. This was supported overnight when China announced it would lower levies on USD75 billion of US goods from next week. The feel-good factor was reciprocated in fixed income markets with the US 10 year

treasury now yielding a touch under 1.65%, from 1.52% where it started the week. Interestingly though, FX and commodity markets aren't as bullish with risk currencies stable, the NZD/USD is currently at 0.6465, and crude oil remains hovering a touch above USD50 per barrel.

## Data

NZ jobs growth was flat in the December quarter, which highlights the impact of the global slowdown on the employment market. Meanwhile weak data out of Australia reinforce the fragility of the Australian economy.

The NZ unemployment rate fell to 4.0% in the December quarter from a revised 4.1%, diving into the detail it was clear that the tightening in the labour market was due to the supply of labour decreasing as the participation rate fell to 70.1% from 70.4%. Therefore, there was no jobs growth as workers left the labour force, which is hardly a good sign. However, wage growth picked up slightly more than expected and the underutilisation rate fell to a 10 year low.

Australian retail sales fell more than expected in the December quarter, coming in at -0.5% versus an expected -0.2%, while their trade surplus also took a hit as it came in at AUD5.2 billion versus AUD5.6 billion expected. Retail sales have been under pressure from weak wages and record high debt while the trade surplus was hit due to falling iron ore prices.

The NZD/USD and NZD/AUD were largely unchanged on the announcement of the data due to the markets being primarily focused on the coronavirus and President Donald Trump's impeachment. However, the NZD/AUD fell below 0.9600 after the RBA held its cash rate unchanged on Tuesday. NZ and AU swap rates have picked up due to the US 10 year treasury yield rally, as markets adopted a more risk on market sentiment.

## Acquitted

President Donald Trump was acquitted on both of the charges levelled against him in his US Senate impeachment trial, saved by the Republicans who rallied to protect him. In the first vote, the Senate voted 52-48 to acquit him of abuse of power stemming from his request the Ukraine investigate political rival Joe Biden, then, the Senate voted 53-47 to acquit him of obstruction of Congress by blocking witnesses and documents sought by the House. A conviction on either count would have elevated Vice President Mike Pence into the Presidency. While the votes were along party lines, it was notable that in the first vote, Republican Senator Mitt Romney crossed the floor to join the Democrats in voting to convict. In the vote, Romney remained with the Republican senators in voting to acquit.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# DAILY RATES

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| FX                    | Spot   | FECs (mid)         |               |                  |               | Spot Mid           |                |
|-----------------------|--------|--------------------|---------------|------------------|---------------|--------------------|----------------|
|                       | Mid    | 1mth               | 3mths         | 6mths            | 12mths        | NZD/...            | AUD/...        |
| NZ TWI                | 71.82  |                    |               |                  |               | <b>CAD</b>         | 0.8582 0.8943  |
| NZD/USD               | 0.6461 | 0.0002             | 0.0007        | 0.0014           | 0.0022        | <b>CHF</b>         | 0.6302 0.6567  |
| NZD/AUD               | 0.9596 | -0.0001            | -0.0004       | -0.0010          | -0.0028       | <b>CNY</b>         | 4.5032 4.6928  |
| NZD/JPY               | 71.05  | -0.08              | -0.26         | -0.53            | -1.12         | <b>DKK</b>         | 4.3991 4.5843  |
| NZD/EUR               | 0.5887 | -0.0008            | -0.0026       | -0.0051          | -0.0105       | <b>FJD</b>         | 1.4148 1.4744  |
| NZD/GBP               | 0.4999 | -0.0002            | -0.0006       | -0.0013          | -0.0030       | <b>HKD</b>         | 5.0155 5.2266  |
|                       |        |                    |               |                  |               | <b>KRW</b>         | 765.57 797.81  |
| AU TWI                | 58.60  |                    |               |                  |               | <b>MYR</b>         | 2.6622 2.7742  |
| AUD/USD               | 0.6733 | 0.0003             | 0.0011        | 0.0022           | 0.0043        | <b>NOK</b>         | 5.9595 6.2104  |
| AUD/NZD               | 1.0421 | 0.0001             | 0.0004        | 0.0011           | 0.0031        | <b>SEK</b>         | 6.2233 6.4853  |
| AUD/JPY               | 74.05  | -0.08              | -0.24         | -0.48            | -0.96         | <b>SGD</b>         | 0.8952 0.9328  |
| AUD/EUR               | 0.6135 | -0.0008            | -0.0024       | -0.0047          | -0.0092       | <b>TWD</b>         | 19.42 20.24    |
| AUD/GBP               | 0.5209 | -0.0001            | -0.0004       | -0.0008          | -0.0016       | <b>ZAR</b>         | 9.6376 10.0434 |
| USD Index             | 98.51  |                    |               |                  |               |                    |                |
| EUR/USD               | 1.0974 | 0.0019             | 0.0060        | 0.0119           | 0.0237        | <b>EQUITIES</b>    |                |
| USD/JPY               | 109.99 | -0.17              | -0.53         | -1.06            | -2.10         |                    | <b>Index</b>   |
| GBP/USD               | 1.2926 | 0.0010             | 0.0031        | 0.0062           | 0.0122        | <b>NZX50</b>       | 11,604         |
| EUR/GBP               | 0.8490 | 0.0008             | 0.0026        | 0.0052           | 0.0102        | <b>ASX200</b>      | 7,049          |
|                       |        |                    |               |                  |               | <b>Dow Jones</b>   | 29,394         |
|                       |        |                    |               |                  |               | <b>S&amp;P 500</b> | 3,345          |
|                       |        |                    |               |                  |               | <b>FTSE100</b>     | 7,505          |
|                       |        |                    |               |                  |               | <b>DAX 30</b>      | 13,575         |
|                       |        |                    |               |                  |               | <b>Nikkei</b>      | 23,874         |
|                       |        |                    |               |                  |               |                    |                |
|                       |        |                    |               |                  |               | <b>COMMODITIES</b> |                |
|                       |        |                    |               |                  |               |                    | <b>USD</b>     |
|                       |        |                    |               |                  |               | <b>Dubai Light</b> | 55.06          |
|                       |        |                    |               |                  |               | <b>Brent Crude</b> | 54.93          |
|                       |        |                    |               |                  |               | <b>Gold</b>        | 1,566.40       |
|                       |        |                    |               |                  |               | <b>Silver</b>      | 17.83          |
|                       |        |                    |               |                  |               | <b>CRB Index</b>   | 180.72         |
|                       |        |                    |               |                  |               |                    |                |
| <b>INTEREST RATES</b> |        | <b>New Zealand</b> |               | <b>Australia</b> |               |                    |                |
|                       |        | <b>Borrow</b>      | <b>Invest</b> | <b>Borrow</b>    | <b>Invest</b> |                    |                |
| 30 day bank bills     |        | 1.21%              | 1.17%         | 0.83%            | 0.81%         |                    |                |
| 90 day bank bills     |        | 1.28%              | 1.24%         | 0.95%            | 0.91%         |                    |                |
| FRA 90d in 3mths      |        | 1.20%              | 1.12%         | 0.82%            | 0.77%         |                    |                |
| FRA 180d in 6mths     |        | 1.14%              | 1.09%         | 0.81%            | 0.77%         |                    |                |
| 1 year swap*          |        | 1.19%              | 1.16%         | 0.80%            | 0.79%         |                    |                |
| 2 year swap*          |        | 1.18%              | 1.15%         | 0.75%            | 0.74%         |                    |                |
| 3 year swap*          |        | 1.19%              | 1.17%         | 0.76%            | 0.76%         |                    |                |
| 5 year swap*          |        | 1.27%              | 1.24%         | 0.94%            | 0.93%         |                    |                |
| 10 year swap*         |        | 1.55%              | 1.53%         | 1.23%            | 1.22%         |                    |                |
| 10 year Govt bond     |        |                    | 1.32%         |                  | 1.09%         |                    |                |

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

SOURCE: Bloomberg

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