



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Wednesday 25 September 2019 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6329	0.0025
NZD/AUD	0.9308	-0.0010
NZD/JPY	67.75	-0.60
NZD/EUR	0.5744	-0.0054
NZD/GBP	0.5066	-0.0013
NZD/CNH	4.4980	0.0361
AUD/USD	0.6800	0.0033
AUD/EUR	0.6171	-0.0052
EUR/USD	1.1019	0.0148
USD/CNH	7.1073	0.0294
GBP/USD	1.2494	0.0081
EUR/GBP	0.8820	0.0061

INT RATES	NZ	Australia
OCR/Cash	1.00%	1.00%
90 day bills	1.13%	0.93%
2 year swap	0.94%	0.77%
10 year Govt	1.13%	0.96%

## More geopolitical tensions, more volatility.

Risk off sentiment resurfaced overnight as bond yields and sharemarkets fell while gold, the CHF and the JPY gained.

Markets were rattled by Donald Trump's speech at the United Nations, and tensions between US and China look to be on the rise. The media reports that Nancy Pelosi, the Speaker of the House of Representatives, is about to announce a formal impeachment inquiry of President Trump. The Ukraine controversy is unfolding and there are underwhelming economic indicators in the US, Japan and Germany.

New geopolitical hot spots, such as the US Congressional investigation on Trump or the Saudi oil attacks, are popping up every day and causing market volatility, while the old school worries such as Brexit still simmer in the background.

The 10 year Treasury yield fell to a two week low of 1.63%, which is expected to flow onto local swap rates today.

The NZD was a close third behind the JPY and CHF with the NZD/USD now well above 0.6300 and the AUD/USD above 0.9300.

## RBA signalling more cuts

In a much anticipated speech yesterday, RBA Governor, Philip Lowe, repeated the RBA's mantra that *"an extended period of low interest rates will be required in Australia"* but added a few twists.

He noted that *"we live in an interconnected world, which means that we cannot completely insulate ourselves from long-lasting shifts in global interest rates."* Therefore, *"if we did seek to ignore these shifts, our exchange rate would appreciate, which, in the current environment, would be unhelpful in terms of achieving both the inflation target and full employment."*

Lowe again made it clear that the RBA is targeting full employment (which it defines as an unemployment rate of 4.5%) and underlying inflation between 2.0% and 3.0% by means of low, or lower interest rates, and a low, or lower, AUD.

## GBP thrives on Brexit madness

The UK Supreme Court unanimously ruled that Boris Johnson's suspension of the House of Commons was illegal, *"extreme"* and unreasonably limited Parliament. The House will reconvene this week and is expected to pressure Boris Johnson to succumb to its will and agree a new Brexit deal or seek an extension of the 31 October Brexit deadline.

Before going into recess, the House of Commons passed legislation requiring Johnson to seek an extension if a new deal is not agreed before the EU summit on 17 and 18 October. Adding a layer of complexity, Johnson has threatened to call an early election for next month, but he needs the two thirds of the House to agree to an early election – unlikely given the disarray of all parties in the House.

Perversely, the GBP rallied when the Supreme Court's decision was released because it reduced the chances of a hard, or 'no deal', Brexit and increased the odds of no Brexit at all, which is the markets' favoured Brexit outcome. All this confirmed that the risks around and global fallout from Brexit remain two way.

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# DAILY RATES

Tuesday 24 September 2019 | www.bancorptreasury.com

FX	Spot Mid	FECs (mid)				Spot Mid	
		1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	70.60					<b>CAD</b>	0.8380 0.9002
NZD/USD	0.6329	0.0005	0.0013	0.0025	0.0042	<b>CHF</b>	0.6238 0.6702
NZD/AUD	0.9308	-0.0004	-0.0007	-0.0010	-0.0016	<b>CNY</b>	4.5040 4.8388
NZD/JPY	67.75	-0.12	-0.30	-0.60	-1.13	<b>DKK</b>	4.2881 4.6069
NZD/EUR	0.5744	-0.0010	-0.0027	-0.0054	-0.0104	<b>FJD</b>	1.3919 1.4954
NZD/GBP	0.5066	-0.0004	-0.0007	-0.0013	-0.0021	<b>HKD</b>	4.9622 5.3311
						<b>KRW</b>	756.85 813.12
AU TWI	59.30					<b>MYR</b>	2.6310 2.8265
AUD/USD	0.6800	0.0008	0.0019	0.0033	0.0056	<b>NOK</b>	5.6992 6.1229
AUD/NZD	1.0743	0.0004	0.0008	0.0011	0.0018	<b>SEK</b>	6.1176 6.5724
AUD/JPY	72.79	-0.10	-0.26	-0.57	-1.09	<b>SGD</b>	0.8704 0.9351
AUD/EUR	0.6171	-0.0009	-0.0024	-0.0052	-0.0101	<b>TWD</b>	19.65 21.11
AUD/GBP	0.5442	-0.0002	-0.0003	-0.0008	-0.0014	<b>ZAR</b>	9.4121 10.1118
USD Index	98.31						
EUR/USD	1.1019	0.0028	0.0075	0.0148	0.0276	<b>EQUITIES</b>	
USD/JPY	107.06	-0.26	-0.69	-1.35	-2.46		<b>Index</b>
GBP/USD	1.2494	0.0018	0.0044	0.0081	0.0135	<b>NZX50</b>	10,859
EUR/GBP	0.8820	0.0010	0.0029	0.0061	0.0125	<b>ASX200</b>	6,749
						<b>Dow Jones</b>	26,819
						<b>S&amp;P 500</b>	2,962
						<b>FTSE100</b>	7,291
						<b>DAX 30</b>	12,307
						<b>Nikkei</b>	22,099
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	62.89
						<b>Brent Crude</b>	62.49
						<b>Gold</b>	1,532.35
						<b>Silver</b>	18.63
						<b>CRB Index</b>	186.71

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.20%	1.17%	1.02%	1.00%
90 day bank bills	1.15%	1.12%	0.95%	0.91%
FRA 90d in 3mths	1.06%	1.03%	0.91%	0.86%
FRA 180d in 6mths	0.92%	0.89%	0.85%	0.81%
1 year swap*	1.01%	0.98%	0.86%	0.83%
2 year swap*	0.95%	0.93%	0.78%	0.77%
3 year swap*	0.93%	0.91%	0.77%	0.74%
5 year swap*	0.97%	0.95%	0.89%	0.87%
10 year swap*	1.26%	1.23%	1.12%	1.10%
10 year Govt bond		1.12%		0.96%

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

SOURCE: Bloomberg

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