



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 27 September 2019 | www.bancorp-treasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6299	0.0024
NZD/AUD	0.9331	-0.0012
NZD/JPY	67.94	-0.61
NZD/EUR	0.5769	-0.0055
NZD/GBP	0.5112	-0.0014
NZD/CNH	4.4881	0.0341
AUD/USD	0.6751	0.0034
AUD/EUR	0.6182	-0.0051
EUR/USD	1.0920	0.0147
USD/CNH	7.1244	0.0270
GBP/USD	1.2321	0.0080
EUR/GBP	0.8863	0.0062

INT RATES	NZ	Australia
OCR/Cash	1.00%	1.00%
90 day bills	1.14%	0.95%
2 year swap	0.96%	0.77%
10 year Govt	1.12%	0.95%

Adrian Orr takes on cheerleader's role

RBNZ Governor, Adrian Orr, turned cheerleader about the New Zealand economy and took a swipe at banks' lending practices in a speech yesterday. He elaborated on the reasons for the recent OCR cut and challenges faced by the RBNZ and other central banks.

Adrian Orr again raised the issue of a zero or negative OCR, noting that *"our current view is that we are unlikely to need 'unconventional' monetary policy tools"* which we interpret as meaning the

RBNZ does not expect to see a negative OCR but that leaves unsaid the prospect of a zero OCR.

Like many other central bankers, the RBNZ is looking for help from the friends of monetary policy — *"government fiscal policy (taxes and public spending and investment) growth supportive structural policies, and the business confidence and capability to invest in productivity-enhancing infrastructure."* Fortunately, New Zealand has *"the trifecta of sound government finances, clear infrastructure demands, and low hurdle rates for investing."*

Adrian Orr took a few shots at local banks' lending, specifically *"some pockets of debt — especially in some highly leveraged households (residential mortgages), and in some pockets of dairy farming (rural lending)"* that the RBNZ will address with *"significant increases in shareholder capital in banks."*

Adrian Orr's coverage of how sound the New Zealand economy is, how unlikely we will see a negative OCR and the improvements to come in bank capital and lending practices were taken as positives, causing the NZD and local swap rates to rise.

The NZD/USD's rise was reversed by a stronger USD overnight, but the NZD resisted with strong support at 0.6300 on the NZD/USD, causing the NZD to rise against the rest. Notably, the NZD/AUD is sitting just below key resistance at 0.9340.

World still wary of risk

More risk off sentiment in the market overnight as US stockmarkets slipped, Treasury yields dropped, and the USD Index rose to a two year high. The NZD was the second best performer overnight behind the USD due to Adrian Orr's cheerleading.

The drivers for the risk off move overnight were reports that the US is unlikely to extend a waiver allowing American firms to supply Huawei technologies, the unfolding impeachment of Donald Trump and increased geopolitical unease, centred on Iran. Also, the Philippines central bank followed global central bank trends and cut its target interest rates by 25 bps yesterday.

Liquidity crunch in the US

US banks continue to scramble for liquidity as banks' liquidity continues to suffer from recent substantial Treasury issues and tax payments, just as quarter end looms.

The New York Fed yesterday lent banks and securities firms USD50.1 billion via overnight repos and USD60 billion via 14 day repos, the latter to lessen end of quarter liquidity pressures.

The New York Fed started lending via repos last week to calm markets after short term rates spiked as banks and securities firms struggled to obtain overnight funding.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

Friday 27 September 2019 | www.bancorptreasury.com

FX	Spot Mid	FECs (mid)				Spot Mid	
		1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	70.58					CAD	0.8359 0.8959
NZD/USD	0.6299	0.0005	0.0013	0.0024	0.0041	CHF	0.6260 0.6709
NZD/AUD	0.9331	-0.0003	-0.0007	-0.0012	-0.0021	CNY	4.4925 4.8148
NZD/JPY	67.94	-0.10	-0.29	-0.61	-1.16	DKK	4.3069 4.6159
NZD/EUR	0.5769	-0.0010	-0.0026	-0.0055	-0.0106	FJD	1.3879 1.4875
NZD/GBP	0.5112	-0.0003	-0.0007	-0.0014	-0.0024	HKD	4.9366 5.2908
						KRW	756.34 810.61
AU TWI	59.20					MYR	2.6429 2.8325
AUD/USD	0.6751	0.0007	0.0019	0.0034	0.0059	NOK	5.7217 6.1323
AUD/NZD	1.0718	0.0004	0.0008	0.0014	0.0025	SEK	6.1556 6.5973
AUD/JPY	72.82	-0.08	-0.26	-0.56	-1.08	SGD	0.8707 0.9332
AUD/EUR	0.6182	-0.0008	-0.0024	-0.0051	-0.0100	TWD	19.55 20.95
AUD/GBP	0.5479	-0.0001	-0.0003	-0.0008	-0.0013	ZAR	9.4782 10.1583
USD Index	99.21						
EUR/USD	1.0920	0.0026	0.0073	0.0147	0.0277	EQUITIES	
USD/JPY	107.88	-0.24	-0.68	-1.37	-2.53		Index
GBP/USD	1.2321	0.0016	0.0042	0.0080	0.0137	NZX50	10,823
EUR/GBP	0.8863	0.0010	0.0029	0.0062	0.0124	ASX200	6,678
						Dow Jones	26,892
INTEREST		New Zealand		Australia		S&P 500	2,981
RATES		Borrow	Invest	Borrow	Invest	FTSE100	7,351
30 day bank bills		1.20%	1.16%	1.03%	1.01%	DAX 30	12,289
90 day bank bills		1.16%	1.12%	0.97%	0.93%	Nikkei	22,048
FRA 90d in 3mths		1.08%	1.05%	0.89%	0.84%	COMMODITIES	
FRA 180d in 6mths		0.95%	0.92%	0.83%	0.79%		USD
1 year swap*		1.03%	1.00%	0.85%	0.83%	Dubai Light	61.50
2 year swap*		0.97%	0.94%	0.77%	0.76%	Brent Crude	62.73
3 year swap*		0.95%	0.92%	0.78%	0.76%	Gold	1,504.60
5 year swap*		0.98%	0.94%	0.90%	0.89%	Silver	17.83
10 year swap*		1.24%	1.21%	1.14%	1.12%	CRB Index	185.72
10 year Govt bond			1.10%		0.95%		

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

SOURCE: Bloomberg

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.