



MARKET ALERT

Friday 11 October 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mtf
NZD/USD	0.6320	0.002
NZD/AUD	0.9345	-0.000
NZD/JPY	68.19	-0.5
NZD/EUR	0.5741	-0.004
NZD/GBP	0.5082	-0.001
NZD/CNH	4.4936	0.033
AUD/USD	0.6763	0.003
AUD/EUR	0.6143	-0.004
EUR/USD	1.1008	0.013
USD/CNH	7.1106	0.025
GBP/USD	1.2437	0.007
EUR/GBP	0.8851	0.005

INT RATES	NZ	Australi
OCR/Cash	1.00%	0.75'
90 day bills	1.03%	0.83'
2 year swap	0.85%	0.69'
10 year Govt	1.04%	0.90'

So little news, so much response

The USD/CNH jumped more than 200 points and the NZD/USD fell yesterday after a South China Morning Post news report that the US and China have made no progress on the just re-started talks and the Chinese delegation plan to leave Washington a day early. The news report generated a bout of risk aversion because there was little else to grab markets' attention and it followed soon after the US announced sanctions on Chinese

entities and the fallout in China from an NBA team manager's message of support for the Hong Kong protesters.

The risk off response was not restricted to currency markets. Treasury bond yields and stockmarkets fell. Apart from the USD/CNH, the moves, though sudden, were not extensive. Within two hours, currencies had reversed that move and were heading in the opposite direction, the JPY and CHF weakened and bond yields rose following US media reports that the trade talks had started and Donald Trump will meet with the head Chinese negotiator later today.

As a result, the USD/CNH was trading well below, the NZD/USD well above and the 10 year Treasury yield well above where they were before the South China Morning Post article. The USD/CNH yesterday had a 600 point range, the NZD/USD 60 points and the AUD/USD 70 points.

In all, a useful lesson on prevailing market nervousness and potential volatility, and the value of placing orders, which require some forethought, preparation and understanding of the underlying exposures.

Brexit hopes and the GBP soar

The GBP and UK gilt yields rose dramatically yesterday after news that a meeting between the UK and Irish Prime Ministers, Boris Johnson and Leo Varadkar, was "constructive," that they

could see a "pathway to a possible deal" over the Irish border stalemate and that they "both continue to believe a deal is in everybody's interest."

The GBP/USD jumped more than 200 points and the 10 year Gilt yield rose 10 bps yesterday. The stronger GBP resulted in both the NZD/GBP and AUD/GBP falling 80 points. The jump by Gilt yields dragged up European and US bond yields, which is likely to flow through to local swap rates first thing this morning.

More bad Australian housing news

Despite RBA rate cuts in June and July, lending to Australian households slowed dramatically in August, in terms of numbers and total value by a greater extent than markets predicted. On an annual basis, both the number and value of lending in August was lower than year earlier. The good news was that, both in terms of value and number, the monthly change in August as still positive and the annual fall was less than in July.

Not surprisingly, the disappointing housing finance data reinforced expectations for a 0.50% cash rate early in 2020 and gave the AUD and Australian swap rates a nudge lower but all that and more were reversed with overnight moves.

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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	70.59					CAD	0.8403	0.8992
NZD/USD	0.6320	0.0005	0.0013	0.0024	0.0041	CHF	0.6298	0.6739
NZD/AUD	0.9345	-0.0002	-0.0005	-0.0009	-0.0017	CNY	4.4974	4.8126
NZD/JPY	68.19	-0.09	-0.29	-0.56	-1.07	DKK	4.2871	4.5876
NZD/EUR	0.5741	-0.0008	-0.0027	-0.0049	-0.0096	FJD	1.3920	1.4895
NZD/GBP	0.5082	-0.0002	-0.0007	-0.0010	-0.0019	HKD	4.9559	5.3032
						KRW	752.14	804.85
AU TWI	59.00					MYR	2.6513	2.8371
AUD/USD	0.6763	0.0006	0.0018	0.0032	0.0056	NOK	5.7675	6.1717
AUD/NZD	1.0701	0.0002	0.0006	0.0010	0.0020	SEK	6.2219	6.6580
AUD/JPY	72.98	-0.08	-0.28	-0.53	-1.01	SGD	0.8693	0.9302
AUD/EUR	0.6143	-0.0008	-0.0026	-0.0047	-0.0091	TWD	19.38	20.74
AUD/GBP	0.5438	-0.0001	-0.0005	-0.0006	-0.0010	ZAR	9.5165	10.1835
USD Index	98.70							
EUR/USD	1.1008	0.0024	0.0075	0.0137	0.0259	EQUITIES		
USD/JPY	107.92	-0.22	-0.69	-1.28	-2.37			Index
GBP/USD	1.2437	0.0014	0.0043	0.0072	0.0126	NZX50		10,887
EUR/GBP	0.8851	0.0009	0.0030	0.0059	0.0117	ASX200		6,547
						Dow Jones		26,466
						S&P 500		2,936
						FTSE100		7,186
						DAX 30		12,164
						Nikkei		21,552
						COMMODITIES		
								USD
						Dubai Light		57.46
						Brent Crude		59.09
						Gold		1,495.32
						Silver		17.54
						CRB Index		183.11

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.20%	1.16%	0.90%	0.88%
90 day bank bills	1.05%	1.01%	0.85%	0.81%
FRA 90d in 3mths	0.94%	0.91%	0.76%	0.71%
FRA 180d in 6mths	0.85%	0.81%	0.73%	0.69%
1 year swap*	0.92%	0.89%	0.71%	0.70%
2 year swap*	0.87%	0.84%	0.69%	0.68%
3 year swap*	0.85%	0.82%	0.69%	0.68%
5 year swap*	0.88%	0.85%	0.85%	0.83%
10 year swap*	1.16%	1.12%	1.12%	1.12%
10 year Govt bond		1.03%		0.90%

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

SOURCE: Bloomberg

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