



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 14 October 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6331	0.0024
NZD/AUD	0.9326	-0.0009
NZD/JPY	68.62	-0.55
NZD/EUR	0.5737	-0.0049
NZD/GBP	0.5021	-0.0009
NZD/CNH	4.4877	0.0348
AUD/USD	0.6789	0.0032
AUD/EUR	0.6152	-0.0047
EUR/USD	1.1036	0.0137
USD/CNH	7.0885	0.0280
GBP/USD	1.2610	0.0071
EUR/GBP	0.8752	0.0059

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.03%	0.85%
2 year swap	0.89%	0.74%
10 year Govt	1.16%	1.02%

Geopolitical developments edge markets higher

Signs of progress in the US China trade war pushed US Treasury yields, the sharemarket and the NZD up over the weekend as the market had a risk on sentiment.

The NZD also had a helping hand from the latest developments in the Brexit negotiations.

President Donald Trump said the two sides agreed to the outlines of a deal

that could be signed off as early as next month. The market expects outstanding issues to be resolved because a trade truce with China would strengthen Trump's bid for next years election. But the recent NBA fracas with Beijing is a reminder to corporate America of the difficulty of doing business in the Asian nation.

Trade developments combined with the prospect of a Brexit deal awoke markets from their previous slumber. Markets believe the UK and the European economies could be too weak for their leaders to accept a no deal outcome as the odds for an October 31 Brexit deal skyrocketed after news that U.K Prime Minister, Boris Johnson, made a vital breakthrough in talks with the Irish leader, Leo Varadkar.

Geopolitical tensions increased in the Middle East as an Iranian oil company tanker caught fire after an explosion in the Red Sea, near the Saudi Arabian port of Jeddah. Oil prices rallied after the news, which comes amid heightened tensions in the Middle East following drone strikes on a key Saudi Arabian oil facility last month.

Meanwhile, shares rallied throughout Asia and especially in Hong Kong as protesters discussed scaling back vandalism ahead of the demonstrations this weekend.

Pound surges on a deal

The GBP surged on Friday as optimism grew over a last minute deal between Britain and the EU. EU Brexit negotiator, Michel Barnier, said there has been a "constructive" meeting with UK Brexit secretary, Stephen Barclay, which had followed on from talks between the Irish and British leaders on Thursday, from which a positive joint statement emerged.

The GBP/EUR climbed sharply from around 1.1100 to just under 1.1500 pushing the NZD/GBP from 0.5170 to a low of 0.4988. It has consolidated around 0.5015 this morning. The GBP has climbed nearly 3.5%, the largest two day gain since the GFC.

The scale of the move has implied there are genuine signs of a Brexit deal. The Conservatives are polling with a majority, thus there may be limited benefit from a forced election which would just lead to further negotiations and a real chance of a no-deal Brexit.

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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	70.58					CAD	0.8355 0.8959
NZD/USD	0.6331	0.0004	0.0013	0.0024	0.0043	CHF	0.6313 0.6770
NZD/AUD	0.9326	-0.0002	-0.0005	-0.0009	-0.0016	CNY	4.4936 4.8186
NZD/JPY	68.62	-0.10	-0.29	-0.55	-1.07	DKK	4.2844 4.5943
NZD/EUR	0.5737	-0.0008	-0.0026	-0.0049	-0.0096	FJD	1.3934 1.4942
NZD/GBP	0.5021	-0.0002	-0.0006	-0.0009	-0.0016	HKD	4.9657 5.3249
						KRW	750.56 804.85
AU TWI	59.20					MYR	2.6536 2.8455
AUD/USD	0.6789	0.0006	0.0017	0.0032	0.0057	NOK	5.7485 6.1642
AUD/NZD	1.0723	0.0002	0.0006	0.0010	0.0018	SEK	6.2154 6.6649
AUD/JPY	73.59	-0.09	-0.27	-0.52	-1.02	SGD	0.8697 0.9326
AUD/EUR	0.6152	-0.0008	-0.0025	-0.0047	-0.0093	TWD	19.43 20.83
AUD/GBP	0.5384	-0.0001	-0.0004	-0.0005	-0.0008	ZAR	9.3455 10.0214
USD Index	98.30						
EUR/USD	1.1036	0.0024	0.0073	0.0137	0.0264	EQUITIES	
USD/JPY	108.40	-0.23	-0.67	-1.28	-2.40		Index
GBP/USD	1.2610	0.0013	0.0041	0.0071	0.0126	NZX50	10,924
EUR/GBP	0.8752	0.0010	0.0029	0.0059	0.0121	ASX200	6,607
						Dow Jones	26,817
						S&P 500	2,970
						FTSE100	7,247
						DAX 30	12,512
						Nikkei	21,799
						COMMODITIES	
							USD
						Dubai Light	60.47
						Brent Crude	60.51
						Gold	1,489.00
						Silver	17.55
						CRB Index	185.66

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.19%	1.15%	0.91%	0.89%
90 day bank bills	1.05%	1.01%	0.87%	0.83%
FRA 90d in 3mths	0.95%	0.92%	0.78%	0.73%
FRA 180d in 6mths	0.86%	0.83%	0.79%	0.75%
1 year swap*	0.98%	0.93%	0.77%	0.76%
2 year swap*	0.90%	0.87%	0.75%	0.73%
3 year swap*	0.89%	0.87%	0.78%	0.77%
5 year swap*	0.95%	0.92%	0.93%	0.91%
10 year swap*	1.27%	1.24%	1.22%	1.20%
10 year Govt bond		1.14%		1.02%

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

SOURCE: Bloomberg

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