



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 4 October 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6300	0.0023
NZD/AUD	0.9345	-0.0011
NZD/JPY	67.32	-0.56
NZD/EUR	0.5744	-0.0051
NZD/GBP	0.5101	-0.0012
NZD/CNH	4.4908	0.0350
AUD/USD	0.6742	0.0033
AUD/EUR	0.6147	-0.0047
EUR/USD	1.0968	0.0139
USD/CNH	7.1286	0.0297
GBP/USD	1.2350	0.0073
EUR/GBP	0.8881	0.0059

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.07%	0.85%
2 year swap	0.83%	0.63%
10 year Govt	1.02%	0.92%

Market wrap

The USD fell for the third day in a row, pushing the NZD/USD back to around 0.6300. The US 10 Year Treasury yield fell for its sixth consecutive day and hovers around 1.53%; reversing its recent spike throughout September on softer business surveys and manufacturing data.

US sharemarkets rose as poor US data increased the odds for a Fed rate cut

at the next FOMC meeting, while gold broke back through the USD1,500 level.

Reports showed US manufacturing falling further into contractionary territory along with a softening services sector that is increasing odds that the US could be headed for a recession. The non-manufacturing ISM index sank to its lowest since 2016, while ISM's gauge on employment and new orders plummeted too.

The market is now pricing in 42 bps of Fed rate cuts by the end of 2019, and almost 100 bps by the end of 2020, causing treasury yields to fall again overnight. The NZ 10 year swap rate opens this morning at another record low of 1.14%.

The NZD/USD has benefitted from the weaker US data. After the NZD/USD had trickled down to a low of 0.6200, it is now back at 0.6300 this morning. Local swap rates are expected to fall further following the rally in Treasuries overnight.

NZ commodity prices flat despite global uncertainty

The ANZ commodity price index came in flat for September, not too far from the 0.3% rise in August. The index

was up 3.4% from the prior year. In NZD terms, the index rose 1.4% in September and rose 6.5% for the year. In summary, the flat result saw gains in meat, forestry, and aluminium but was balanced by easing prices in other areas.

Interestingly, despite significant global uncertainty due to the US/China trade war and other geopolitical ructions impacting global trade, New Zealand's commodity prices are holding up well and certainly would suggest underlying support for the NZD.

The NZD/USD was up overnight and opens this morning at 0.6300, with support around 0.6200/0.6250 still holding.

Lamb prices lifted 2.4% versus the prior month and beef prices were up 1.5%, and is encouraging as the supply side begins to ramp up into Christmas.

Meat prices remain well supported after swine fever caused Asia to cut pork supplies amid increasing demand for other meats in China.

Dairy prices eased 0.5% in September, but prices are expected to have upside in the coming months due to low growth in global milk supplies.

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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	70.54					CAD	0.8398 0.8987
NZD/USD	0.6300	0.0004	0.0013	0.0023	0.0036	CHF	0.6293 0.6734
NZD/AUD	0.9345	-0.0003	-0.0007	-0.0011	-0.0019	CNY	4.5029 4.8187
NZD/JPY	67.32	-0.09	-0.30	-0.56	-1.06	DKK	4.2886 4.5894
NZD/EUR	0.5744	-0.0009	-0.0028	-0.0051	-0.0098	FJD	1.3907 1.4883
NZD/GBP	0.5101	-0.0003	-0.0008	-0.0012	-0.0021	HKD	4.9397 5.2862
						KRW	756.94 810.04
AU TWI	58.90					MYR	2.6329 2.8175
AUD/USD	0.6742	0.0007	0.0019	0.0033	0.0053	NOK	5.7477 6.1509
AUD/NZD	1.0701	0.0004	0.0008	0.0013	0.0022	SEK	6.2091 6.6446
AUD/JPY	72.05	-0.07	-0.27	-0.51	-0.98	SGD	0.8698 0.9308
AUD/EUR	0.6147	-0.0008	-0.0026	-0.0047	-0.0093	TWD	19.52 20.89
AUD/GBP	0.5459	-0.0001	-0.0004	-0.0006	-0.0011	ZAR	9.5434 10.2129
USD Index	98.87						
EUR/USD	1.0968	0.0025	0.0077	0.0139	0.0255	EQUITIES	
USD/JPY	106.88	-0.22	-0.69	-1.27	-2.28		Index
GBP/USD	1.2350	0.0015	0.0045	0.0073	0.0122	NZX50	10,821
EUR/GBP	0.8881	0.0010	0.0030	0.0059	0.0118	ASX200	6,493
						Dow Jones	26,161
						S&P 500	2,905
						FTSE100	7,078
						DAX 30	11,925
						Nikkei	21,342
						COMMODITIES	
							USD
						Dubai Light	56.81
						Brent Crude	57.70
						Gold	1,507.15
						Silver	17.60
						CRB Index	182.81

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.21%	1.17%	0.91%	0.89%
90 day bank bills	1.09%	1.05%	0.87%	0.83%
FRA 90d in 3mths	0.95%	0.92%	0.75%	0.70%
FRA 180d in 6mths	0.81%	0.79%	0.68%	0.64%
1 year swap*	0.91%	0.88%	0.69%	0.67%
2 year swap*	0.84%	0.82%	0.64%	0.62%
3 year swap*	0.82%	0.80%	0.63%	0.62%
5 year swap*	0.86%	0.84%	0.78%	0.76%
10 year swap*	1.15%	1.13%	1.05%	1.04%
10 year Govt bond		1.01%		0.92%

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

SOURCE: Bloomberg

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