



MARKET ALERT

Wednesday 9 October 2019 | www.bancorptreasury.com

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6298 | 0.0025 |
| NZD/AUD | 0.9357 | -0.0010 |
| NZD/JPY | 67.45 | -0.54 |
| NZD/EUR | 0.5747 | -0.0050 |
| NZD/GBP | 0.5154 | -0.0011 |
| NZD/CNH | 4.5058 | 0.0329 |
| AUD/USD | 0.6731 | 0.0033 |
| AUD/EUR | 0.6142 | -0.0047 |
| EUR/USD | 1.0958 | 0.0140 |
| USD/CNH | 7.1550 | 0.0241 |
| GBP/USD | 1.2219 | 0.0074 |
| EUR/GBP | 0.8968 | 0.0060 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 1.00% | 0.75% |
| 90 day bills | 1.04% | 0.83% |
| 2 year swap | 0.82% | 0.63% |
| 10 year Govt | 1.00% | 0.89% |

Downside risks still a big worry

Another day without major data or developments left markets pondering minor data and familiar themes. The global negatives again outweighed the positives on the day and funds again shifted from riskier assets into safe havens.

The US market typified the global shift with stockmarkets and Treasury yields down and the USD up (the USD Index is back above 99.0), mostly on the back of the US expanding its list of blacklisted Chinese firms, which will further

complicate the US/China trade talks that are due to resume this week.

It was no different outside the US. The gold price was up, oil prices were down and European and UK bond yields and stockmarkets fell because of more signs of slowing consumption and growth in Asia and Europe. And also because of the increasing likelihood of Germany falling into recession and an even more convoluted Brexit picture.

China's Caixin services PMI fell from 52.1 in August to 51.3 in September — another example of contracting manufacturing spreading into the services sector.

Japanese household spending in August was 1.0% up on the year, a lift from August's 0.8% rise but below market expectations for a 1.2% gain and a big disappointment given the sales tax rise later this month.

German data continues to point to German GDP contracting for the second straight quarter in September — the accepted definition of a recession.

German industrial production rebounded by 0.3% in August, but new orders fell by 0.6%, more than expected.

Worryingly, while export orders remain weak (due to the effects of the US/China trade war) domestic orders fell 2.6% in August. After the data release, the euro weakened against all but the GBP.

Brexit

UK Prime Minister, Boris Johnson, has been feverishly on the phone to EU leaders without any progress on a Brexit agreement.

According to officials from Johnson's office, German Chancellor, Angela Merkel, is reported to have told him that a deal is now "overwhelmingly unlikely."

EU Council President, Donald Tusk, accused Johnson of playing "some stupid blame game" and remonstrated "at stake is the future of Europe and the UK as well as the security and interests of our people. You don't want a deal, you don't want an extension, you don't want to revoke, quo vadis [where are you going]."

The EU summit at the end of next week is supposed to consider and approve a Brexit deal but, so far, the existing deal that the UK parliament has rejected is the only one on the table. Johnson might well get his desired 'no deal' Brexit on 31 October. Not surprisingly, the GBP weakened and looks vulnerable to further falls.

NZD holding up

The NZD/USD rose yesterday following the announcement of the government's NZD 7.5 billion fiscal surplus and lower than forecast debt. The stronger USD dragged it back down to below 0.9300 where it again found solid support and bottomed out at 0.9285. Such was the support there that the NZD steadied against the USD while others fell.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

Wednesday 9 October 2019 | www.bancorptreasury.com

| FX | Spot | | FECs (mid) | | | | Spot Mid | |
|-----------|--------|---------|------------|---------|---------|--------------------|----------|--------------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 70.56 | | | | | CAD | 0.8388 | 0.8965 |
| NZD/USD | 0.6298 | 0.0005 | 0.0014 | 0.0025 | 0.0040 | CHF | 0.6256 | 0.6686 |
| NZD/AUD | 0.9357 | -0.0002 | -0.0005 | -0.0010 | -0.0017 | CNY | 4.4989 | 4.8083 |
| NZD/JPY | 67.45 | -0.09 | -0.29 | -0.54 | -1.05 | DKK | 4.2925 | 4.5877 |
| NZD/EUR | 0.5747 | -0.0009 | -0.0027 | -0.0050 | -0.0096 | FJD | 1.3877 | 1.4832 |
| NZD/GBP | 0.5154 | -0.0002 | -0.0007 | -0.0011 | -0.0021 | HKD | 4.9400 | 5.2797 |
| | | | | | | KRW | 754.94 | 806.87 |
| AU TWI | 59.10 | | | | | MYR | 2.6505 | 2.8327 |
| AUD/USD | 0.6731 | 0.0007 | 0.0018 | 0.0033 | 0.0056 | NOK | 5.7654 | 6.1619 |
| AUD/NZD | 1.0688 | 0.0002 | 0.0006 | 0.0011 | 0.0020 | SEK | 6.2603 | 6.6908 |
| AUD/JPY | 72.09 | -0.08 | -0.27 | -0.51 | -0.99 | SGD | 0.8703 | 0.9302 |
| AUD/EUR | 0.6142 | -0.0008 | -0.0025 | -0.0047 | -0.0092 | TWD | 19.41 | 20.74 |
| AUD/GBP | 0.5508 | -0.0001 | -0.0004 | -0.0006 | -0.0012 | ZAR | 9.6313 | 10.2936 |
| USD Index | 99.18 | | | | | | | |
| EUR/USD | 1.0958 | 0.0026 | 0.0075 | 0.0140 | 0.0258 | EQUITIES | | |
| USD/JPY | 107.12 | -0.23 | -0.68 | -1.28 | -2.34 | | | Index |
| GBP/USD | 1.2219 | 0.0015 | 0.0043 | 0.0074 | 0.0128 | NZX50 | | 11,016 |
| EUR/GBP | 0.8968 | 0.0010 | 0.0029 | 0.0060 | 0.0117 | ASX200 | | 6,593 |
| | | | | | | Dow Jones | | 26,297 |
| | | | | | | S&P 500 | | 2,923 |
| | | | | | | FTSE100 | | 7,143 |
| | | | | | | DAX 30 | | 11,970 |
| | | | | | | Nikkei | | 21,588 |
| | | | | | | COMMODITIES | | |
| | | | | | | | | USD |
| | | | | | | Dubai Light | | 58.24 |
| | | | | | | Brent Crude | | 58.19 |
| | | | | | | Gold | | 1,506.02 |
| | | | | | | Silver | | 17.75 |
| | | | | | | CRB Index | | 182.77 |

| INTEREST RATES | New Zealand | | Australia | |
|-------------------|-------------|--------|-----------|--------|
| | Borrow | Invest | Borrow | Invest |
| 30 day bank bills | 1.21% | 1.17% | 0.92% | 0.90% |
| 90 day bank bills | 1.06% | 1.02% | 0.85% | 0.81% |
| FRA 90d in 3mths | 0.94% | 0.91% | 0.75% | 0.70% |
| FRA 180d in 6mths | 0.82% | 0.78% | 0.67% | 0.63% |
| 1 year swap* | 0.91% | 0.88% | 0.67% | 0.66% |
| 2 year swap* | 0.84% | 0.81% | 0.63% | 0.62% |
| 3 year swap* | 0.82% | 0.79% | 0.63% | 0.62% |
| 5 year swap* | 0.85% | 0.82% | 0.77% | 0.75% |
| 10 year swap* | 1.13% | 1.10% | 1.03% | 1.02% |
| 10 year Govt bond | | 0.98% | | 0.89% |

* 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.