



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.

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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	70.56					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

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