



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Wednesday 13 November 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6328	0.0020
NZD/AUD	0.9250	-0.0010
NZD/JPY	68.98	-0.56
NZD/EUR	0.5748	-0.0050
NZD/GBP	0.4922	-0.0011
NZD/CNH	4.4399	0.0356
AUD/USD	0.6841	0.0029
AUD/EUR	0.6215	-0.0047
EUR/USD	1.1008	0.0132
USD/CNH	7.0167	0.0337
GBP/USD	1.2856	0.0069
EUR/GBP	0.8563	0.0056

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.11%	0.93%
2 year swap	1.04%	0.82%
10 year Govt	1.36%	1.28%

Markets drift ahead of RBNZ

US markets continue to trade anxiously on any new developments on the US/China trade negotiations.

Last night, investors were risk-on, which saw the USD and US equities rally. Treasury yields eased as they were playing catch up as Memorial Day halted trading yesterday.

Most of the US earnings season is out of the way and major central banks are thought to be on hold, (although the RBNZ's MPS today has the market divided) market focus has turned firmly to trade negotiations and politics.

Hope for a phase one deal fuelled a risk rally and a bond sell off last week, before Trump's comments over the weekend cooled some of the optimism.

Meanwhile, the latest in the Brexit debacle has seen Nigel Farage announcing he won't be contesting any seats won by the conservatives in 2017, leaving the Prime Minister, Boris Johnson, free to concentrate on winning opposition held districts.

Calm before the storm

In a subdued day of trading, yesterday's NZ data added to the general air of indifference ahead of today's RBNZ announcement.

The ANZ's Truckometer printed up a solid 2.5% for the month but with the 3-month average unchanged, it highlighted the fact that "*annual growth remains tepid.*" Likewise, NZ Net Migration and the RBNZ's 2-year Inflation Expectation announcements were both slightly weaker, at 3,440 and 1.80% respectively. In fact, the Inflation Expectation print was the lowest print since 2016.

These releases saw the NZD and fixed income markets trade slightly weaker across the board as most participants were content to adopt a wait-and-see approach for today's RBNZ announcement.

Current market pricing is at 76% for a cut today, further cementing the odds of

the RBNZ lowering the OCR to a record low of 0.75%.

The RBNZ announcement will be at 2:00 pm today.

UK labour market weakens ahead of election

UK economy lost jobs in the September quarter and job vacancies had their largest annual decline since the GFC.

The number of people in work fell 58,000 between July and September, the biggest fall since 2015, with part time employees and the younger generation taking the hit. Female employment dropped 93,000, a worrying sign as women have led the employment boom.

Overall, the jobless rate fell to 3.8% in the September quarter, from 3.9% in the June quarter, due to a fall in the participation rate, not the labour market strengthening.

The stats confirm that Brexit woes and uncertainty are starting to hit the labour market, which for so long avoided Brexit trouble and supported consumer spending. Wage growth has slowed, though wage growth is double the rate of inflation at 3.6%, real earnings are no higher than they were pre-crisis and pay growth could slow further if the economy deteriorates.

Markets didn't react to the data as all eyes are focused on the latest political developments ahead of the 12 December general election.

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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	70.12					CAD	0.8370	0.9048
NZD/USD	0.6328	0.0004	0.0011	0.0020	0.0036	CHF	0.6282	0.6791
NZD/AUD	0.9250	-0.0002	-0.0005	-0.0010	-0.0020	CNY	4.4344	4.7939
NZD/JPY	68.98	-0.08	-0.30	-0.56	-1.11	DKK	4.2953	4.6436
NZD/EUR	0.5748	-0.0008	-0.0026	-0.0050	-0.0099	FJD	1.3833	1.4955
NZD/GBP	0.4922	-0.0001	-0.0006	-0.0011	-0.0020	HKD	4.9535	5.3551
						KRW	738.06	797.90
AU TWI	59.40					MYR	2.6241	2.8369
AUD/USD	0.6841	0.0005	0.0016	0.0029	0.0054	NOK	5.7963	6.2662
AUD/NZD	1.0811	0.0002	0.0006	0.0012	0.0023	SEK	6.1496	6.6482
AUD/JPY	74.57	-0.07	-0.29	-0.53	-1.04	SGD	0.8620	0.9318
AUD/EUR	0.6215	-0.0008	-0.0025	-0.0047	-0.0094	TWD	19.27	20.84
AUD/GBP	0.5321	-0.0001	-0.0004	-0.0006	-0.0011	ZAR	9.4556	10.2223
USD Index	98.36							
EUR/USD	1.1008	0.0022	0.0070	0.0132	0.0257	EQUITIES		
USD/JPY	109.01	-0.19	-0.67	-1.24	-2.36			Index
GBP/USD	1.2856	0.0012	0.0039	0.0069	0.0127	NZX50		10,926
EUR/GBP	0.8563	0.0009	0.0028	0.0056	0.0115	ASX200		6,753
						Dow Jones		27,693
						S&P 500		3,097
						FTSE100		7,365
						DAX 30		13,284
						Nikkei		23,520
						COMMODITIES		
								USD
						Dubai Light		61.70
						Brent Crude		62.16
						Gold		1,455.96
						Silver		16.76
						CRB Index		190.03

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.13%	1.09%	0.89%	0.87%
90 day bank bills	1.13%	1.09%	0.95%	0.91%
FRA 90d in 3mths	1.04%	1.01%	0.82%	0.77%
FRA 180d in 6mths	1.05%	1.02%	0.87%	0.83%
1 year swap*	1.05%	1.02%	0.82%	0.81%
2 year swap*	1.05%	1.03%	0.83%	0.81%
3 year swap*	1.08%	1.05%	0.87%	0.86%
5 year swap*	1.19%	1.16%	1.09%	1.08%
10 year swap*	1.54%	1.51%	1.43%	1.43%
10 year Govt bond		1.35%		1.28%

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

SOURCE: Bloomberg

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