



MARKET ALERT

Thursday 14 November 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6411	0.0015
NZD/AUD	0.9383	-0.0017
NZD/JPY	69.67	-0.63
NZD/EUR	0.5824	-0.0055
NZD/GBP	0.4992	-0.0015
NZD/CNH	4.5106	0.0350
AUD/USD	0.6833	0.0029
AUD/EUR	0.6208	-0.0047
EUR/USD	1.1006	0.0131
USD/CNH	7.0362	0.0378
GBP/USD	1.2843	0.0069
EUR/GBP	0.8570	0.0056

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.26%	0.93%
2 year swap	1.20%	0.80%
10 year Govt	1.48%	1.27%

RBNZ holds OCR; Adrian “Shock and ORR”

NZ markets were caught on the backfoot (again) as the RBNZ, surprisingly, kept the OCR at 1.00% yesterday. RBNZ Governor, Adrian Orr, stated that, “Economic developments since the August Statement do not warrant a change to the already stimulatory monetary setting at this time.” While pre-announcement the market was pricing in the likelihood of a cut at 76%, this is not the first time the RBNZ has wrong footed the markets.

Mr Orr, like the Fed and RBA, is now content to adopt a wait and see approach,

stating “The Committee agreed that the reduction in the OCR over the past year was transmitting through the economy and that it would take time to have its full effect.”

The immediate market reaction saw the NZD record its biggest gains in 9 months, sitting near its intra day highs at 0.6412 against the USD and 0.9380 against the AUD, but the biggest surge was felt in the fixed interest markets as swap rates jumped the most in a decade. The 2 year swap is up 15 basis points from this time yesterday, at 1.20%.

While the RBNZ will no doubt be optimistic that the full impact of their interest rate cuts have yet to be fully felt, with their next decision not due until 12th February 2020, and with the tier 1 bank capital review due to be announced in early December, local markets will inevitably continue to second guess how our central bank Governor’s mindset will react.

Offshore markets pause for thought

US equities were flat overnight as investors remained hesitant after the month long rally saw the two main index’s reach record highs. The USD rose and Treasury yields eased.

Locally, the NZD rallied after the surprise pause in the OCR which also lifted swap rates to three month highs and wacked domestic equities.

US inflation data came in slightly better than expected which supports the view that the Fed is done easing for now as prices continue to rise at a sustainable pace. Chairman of the Fed, Jerome Powell, confirmed that view in his address to Congress in Washington overnight.

In the Eurozone, industrial production data beat market expectations, rising a lacklustre 0.1% for the month of September. This was led by Ireland’s industrial production increasing a sharp 8.8%, which offset poorer performance by most other euro member countries — including Germany which saw industrial output fall 0.6% for the month.

Central banks pause easing cycle

It appears that central banks around the world have paused this global easing cycle that started earlier this year, as they wait for the data to show the effects of the easing.

This was confirmed by the RBNZ yesterday and by the RBA earlier this month, while Federal Reserve Chairman, Jerome Powell, stated yesterday that “we see the current stance of monetary policy as likely to remain appropriate as long as incoming information about the economy remains broadly consistent with our outlook.”

With monetary policy on pause across much of the globe, the main drivers of markets are going to be developments in geopolitical events.

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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	71.16					CAD 0.8495	0.9053
NZD/USD	0.6411	0.0003	0.0008	0.0015	0.0027	CHF 0.6336	0.6753
NZD/AUD	0.9383	-0.0003	-0.0010	-0.0017	-0.0032	CNY 4.5024	4.7985
NZD/JPY	69.67	-0.08	-0.34	-0.63	-1.21	DKK 4.3526	4.6388
NZD/EUR	0.5824	-0.0009	-0.0030	-0.0055	-0.0108	FJD 1.4051	1.4975
NZD/GBP	0.4992	-0.0002	-0.0009	-0.0015	-0.0027	HKD 5.0200	5.3501
						KRW 752.41	801.88
AU TWI	59.50					MYR 2.6575	2.8322
AUD/USD	0.6833	0.0005	0.0016	0.0029	0.0053	NOK 5.8945	6.2821
AUD/NZD	1.0658	0.0004	0.0011	0.0020	0.0037	SEK 6.2444	6.6550
AUD/JPY	74.27	-0.06	-0.29	-0.53	-1.04	SGD 0.8739	0.9314
AUD/EUR	0.6208	-0.0007	-0.0026	-0.0047	-0.0094	TWD 19.58	20.86
AUD/GBP	0.5320	0.0000	-0.0004	-0.0006	-0.0011	ZAR 9.5784	10.2082
USD Index	98.35						
EUR/USD	1.1006	0.0021	0.0072	0.0131	0.0255	EQUITIES	
USD/JPY	108.70	-0.18	-0.68	-1.23	-2.34		Index
GBP/USD	1.2843	0.0011	0.0040	0.0069	0.0125	NZX50	10,835
EUR/GBP	0.8570	0.0009	0.0029	0.0056	0.0114	ASX200	6,698
						Dow Jones	27,716
						S&P 500	3,098
						FTSE100	7,351
						DAX 30	13,230
						Nikkei	23,320
						COMMODITIES	
							USD
						Dubai Light	60.81
						Brent Crude	62.33
						Gold	1,466.46
						Silver	16.97
						CRB Index	190.82

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.30%	1.26%	0.90%	0.88%
90 day bank bills	1.28%	1.24%	0.95%	0.91%
FRA 90d in 3mths	1.27%	1.24%	0.84%	0.79%
FRA 180d in 6mths	1.21%	1.18%	0.87%	0.83%
1 year swap*	1.21%	1.18%	0.83%	0.82%
2 year swap*	1.20%	1.18%	0.80%	0.79%
3 year swap*	1.22%	1.19%	0.84%	0.84%
5 year swap*	1.30%	1.27%	1.05%	1.03%
10 year swap*	1.60%	1.57%	1.37%	1.36%
10 year Govt bond		1.46%		1.27%

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

SOURCE: Bloomberg

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