



MARKET ALERT

Friday 15 November 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6362	0.0016
NZD/AUD	0.9380	-0.0018
NZD/JPY	68.91	-0.61
NZD/EUR	0.5771	-0.0053
NZD/GBP	0.4940	-0.0014
NZD/CNH	4.4691	0.0348
AUD/USD	0.6782	0.0030
AUD/EUR	0.6153	-0.0045
EUR/USD	1.1023	0.0130
USD/CNH	7.0253	0.0373
GBP/USD	1.2878	0.0068
EUR/GBP	0.8560	0.0055

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.27%	0.89%
2 year swap	1.15%	0.74%
10 year Govt	1.42%	1.18%

Risk off

The risk on rally stalled amid weak economic data and further concern over a US/China trade deal. The JPY was the best performer overnight while the USD, AUD and NZD all got knocked. US equities traded flat while Treasuries and gold rallied.

Markets are anxious as it appears that negotiations are stumbling between the world's two economic powerhouses. Weak data around the globe, and especially in China yesterday, reinforced how much the trade war is weighing on the global economy.

The AUD was the worst performer overnight with the AUD/USD falling below 0.6800, erasing the past four weeks' gains. The lower AUD bought the NZD/USD down with it which erased half the gains seen in the NZD/USD earlier this week, but the NZD/AUD rose above 0.9420 before easing back. The NZD/USD found support around 0.6360.

Weak data will worry central banks

Australian, Chinese, Japanese, European and UK data yesterday showed up slowing global growth and the global threats from the US/China trade war, and sent worrying signals to central banks. Germany provided the only positive but that was a weak positive.

Australia lost 19,000 jobs in October (10,300 full time and 8,700 part time), the unemployment rate rose from 5.2% to 5.3% and the participation rate fell from 66.1% to 66.0%. The weaker than expected data will disappoint the RBA who is closely watching the unemployment rate.

Not surprisingly, the AUD and Australian swap rates fell after the data. The NZD/AUD got an added boost after the lift from Wednesday's MPC decision (to hold the OCR at 1.00%), which saw the NZD/AUD breach 0.9400 for the first time in more than two months.

Japan's GDP rose by 0.1% over the September quarter, below expectations for a 0.2% gain. However, that disappointment was partially offset by an upward revision to the June GDP rate, from 0.3% to 0.4%. Whatever way you look at it, Japan's economy is struggling despite decades of monetary and fiscal stimulus. The US/China trade war and Japan's trade dispute with South Korea are not helping.

Chinese data showed a continuation of the recent slowing trend. Industrial production in October was 4.7% up on a year earlier, slower than September's 5.6%. Non-rural fixed asset investment in October was 5.2% up on the year but down from 5.4% in September. Retail sales in October were up 7.2% over the year, down from 7.8% in September.

Eurozone GDP in the September quarter was confirmed at 0.2%, and 1.2% over the year. German September quarter GDP was revised up from a 0.1% fall to a 0.1% rise although the annual rise was still a paltry 0.5%.

UK retail sales fell 0.1% in October, contrary to expectations for a 0.2% rebound from September's flat outcome. Clearly, Brexit is weighing on household sentiment and spending.

The data and recent relatively upbeat comments by Fed Chair, Jerome Powell, showed up the US as the global bright spot, which lifted the USD. However, the weight of yesterday's weak data caused bond yields to fall.

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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	70.66					CAD 0.8435	0.8993
NZD/USD	0.6362	0.0003	0.0008	0.0016	0.0027	CHF 0.6285	0.6700
NZD/AUD	0.9380	-0.0003	-0.0009	-0.0018	-0.0034	CNY 4.4661	4.7612
NZD/JPY	68.91	-0.08	-0.33	-0.61	-1.18	DKK 4.3121	4.5971
NZD/EUR	0.5771	-0.0008	-0.0028	-0.0053	-0.0104	FJD 1.3904	1.4823
NZD/GBP	0.4940	-0.0002	-0.0008	-0.0014	-0.0027	HKD 4.9799	5.3090
						KRW 744.97	794.21
AU TWI	59.10					MYR 2.6571	2.8327
AUD/USD	0.6782	0.0005	0.0016	0.0030	0.0054	NOK 5.8335	6.2190
AUD/NZD	1.0661	0.0003	0.0011	0.0020	0.0039	SEK 6.1665	6.5740
AUD/JPY	73.47	-0.06	-0.28	-0.51	-0.99	SGD 0.8666	0.9238
AUD/EUR	0.6153	-0.0007	-0.0024	-0.0045	-0.0089	TWD 19.44	20.72
AUD/GBP	0.5266	-0.0001	-0.0004	-0.0005	-0.0009	ZAR 9.4368	10.0605
USD Index	98.16						
EUR/USD	1.1023	0.0020	0.0069	0.0130	0.0251	EQUITIES	
USD/JPY	108.34	-0.17	-0.66	-1.22	-2.30		Index
GBP/USD	1.2878	0.0011	0.0038	0.0068	0.0125	NZX50	10,899
EUR/GBP	0.8560	0.0009	0.0028	0.0055	0.0111	ASX200	6,735
						Dow Jones	27,734
						S&P 500	3,092
						FTSE100	7,293
						DAX 30	13,180
						Nikkei	23,142
						COMMODITIES	
							USD
						Dubai Light	62.04
						Brent Crude	62.31
						Gold	1,472.05
						Silver	17.04
						CRB Index	190.33
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		1.27%	1.23%	0.88%	0.86%		
90 day bank bills		1.29%	1.25%	0.91%	0.87%		
FRA 90d in 3mths		1.25%	1.22%	0.77%	0.72%		
FRA 180d in 6mths		1.17%	1.14%	0.82%	0.78%		
1 year swap*		1.18%	1.15%	0.78%	0.77%		
2 year swap*		1.16%	1.14%	0.75%	0.73%		
3 year swap*		1.18%	1.15%	0.77%	0.76%		
5 year swap*		1.25%	1.22%	0.97%	0.96%		
10 year swap*		1.54%	1.51%	1.28%	1.28%		
10 year Govt bond			1.40%		1.18%		

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

SOURCE: Bloomberg

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