



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 18 November 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6404	0.0016
NZD/AUD	0.9394	-0.0017
NZD/JPY	69.69	-0.58
NZD/EUR	0.5793	-0.0053
NZD/GBP	0.4959	-0.0014
NZD/CNH	4.4877	0.0350
AUD/USD	0.6817	0.0029
AUD/EUR	0.6170	-0.0045
EUR/USD	1.1050	0.0130
USD/CNH	7.0083	0.0373
GBP/USD	1.2906	0.0067
EUR/GBP	0.8562	0.0055

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.24%	0.91%
2 year swap	1.17%	0.78%
10 year Govt	1.40%	1.16%

Progress on trade talks

The US and China had “constructive” high level discussions on “core concerns” over the weekend, according to China’s Commerce Ministry.

The chief US and Chinese negotiators spoke over the phone at the request of the US but, significantly, the upbeat announcement came from the Chinese and was greeted favourably by markets.

Buoyed by the Chinese announcement, the NZD has started the week on an

uplifting note with the NZD/USD above 0.6400 and the NZD/AUD clinging to 0.9400.

Mixed US data

US retail sales rebounded by more than expected in October. Headline retail sales rose 0.3%, beating expectations for a 0.2% rise after September’s 0.3% fall. Similarly, retail sales excluding autos rebounded. They rose 0.2% in October, more than offsetting September’s 0.1% fall.

US industrial production fell 0.8% in October, a bigger fall than the 0.5% fall expected and the biggest monthly fall since May last year. Manufacturing output, the largest component of industrial production, fell 0.6% in October, following a 0.5% fall in September. Capacity utilisation also declined, falling from 77.5% to 76.7%, also worse than the fall to 77.0% expected.

The better than expected retail sales data outweighed the poor industrial production data and added to the positives from, amongst other things, the recent strong corporate earnings data, Fed Chair Jerome Powell’s optimism about the US economy, and progress on US/China trade talks. Consequently, Treasury yields, US stockmarkets and oil

prices all rose, although the USD failed to join that happy party.

Germany avoids recession

Germany dodged what would have been its first recession in six years, dampening the hopes of any fiscal stimulus by the government any time soon.

The unexpected expansion in the September quarter doesn’t change the fact the German economy is in trouble. The so called economic engine of the Euro area has now turned into a source of weakness.

Germany’s 0.1% increase in GDP in the September quarter was led by consumer and government spending. The contraction in the second quarter — which has sparked the risk of recession — was revised from 0.2% to 0.1%.

Trade tensions, weaker world demand, and turmoil in the automotive sector has created Germany’s worst manufacturing slump in a decade. Much hinges on developments in the US/China trade war that have dominated the global economic landscape. The danger of US tariffs on European automobile imports into the US isn’t fully off the table, suggesting continued weakness in the European manufacturing sector.

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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	70.95					CAD	0.8469 0.9016
NZD/USD	0.6404	0.0003	0.0008	0.0016	0.0026	CHF	0.6339 0.6748
NZD/AUD	0.9394	-0.0002	-0.0009	-0.0017	-0.0034	CNY	4.4875 4.7772
NZD/JPY	69.69	-0.08	-0.32	-0.58	-1.18	DKK	4.3300 4.6096
NZD/EUR	0.5793	-0.0008	-0.0028	-0.0053	-0.0105	FJD	1.4041 1.4948
NZD/GBP	0.4959	-0.0002	-0.0008	-0.0014	-0.0026	HKD	5.0114 5.3350
						KRW	744.90 792.99
AU TWI	59.00					MYR	2.6511 2.8223
AUD/USD	0.6817	0.0005	0.0015	0.0029	0.0053	NOK	5.8211 6.1969
AUD/NZD	1.0646	0.0003	0.0010	0.0020	0.0039	SEK	6.1715 6.5699
AUD/JPY	74.21	-0.07	-0.27	-0.48	-0.99	SGD	0.8709 0.9271
AUD/EUR	0.6170	-0.0007	-0.0024	-0.0045	-0.0090	TWD	19.52 20.78
AUD/GBP	0.5282	-0.0001	-0.0003	-0.0005	-0.0008	ZAR	9.4227 10.0310
USD Index	98.00						
EUR/USD	1.1050	0.0020	0.0068	0.0130	0.0251	EQUITIES	
USD/JPY	108.86	-0.18	-0.64	-1.17	-2.29		Index
GBP/USD	1.2906	0.0011	0.0038	0.0067	0.0121	NZX50	10,895
EUR/GBP	0.8562	0.0009	0.0028	0.0055	0.0113	ASX200	6,794
						Dow Jones	28,005
						S&P 500	3,120
						FTSE100	7,303
						DAX 30	13,242
						Nikkei	23,303
						COMMODITIES	
							USD
						Dubai Light	61.80
						Brent Crude	63.30
						Gold	1,468.25
						Silver	16.96
						CRB Index	191.19
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		1.25%	1.21%	0.86%	0.84%		
90 day bank bills		1.26%	1.22%	0.93%	0.89%		
FRA 90d in 3mths		1.22%	1.14%	0.81%	0.76%		
FRA 180d in 6mths		1.19%	1.16%	0.83%	0.79%		
1 year swap*		1.19%	1.16%	0.79%	0.78%		
2 year swap*		1.19%	1.16%	0.78%	0.77%		
3 year swap*		1.20%	1.17%	0.80%	0.79%		
5 year swap*		1.26%	1.23%	1.00%	0.99%		
10 year swap*		1.55%	1.51%	1.31%	1.30%		
10 year Govt bond			1.38%		1.16%		

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

SOURCE: Bloomberg

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