



MARKET ALERT

Tuesday 19 November 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6405	0.0016
NZD/AUD	0.9397	-0.0018
NZD/JPY	69.54	-0.60
NZD/EUR	0.5781	-0.0053
NZD/GBP	0.4940	-0.0013
NZD/CNH	4.4996	0.0336
AUD/USD	0.6815	0.0030
AUD/EUR	0.6151	-0.0045
EUR/USD	1.1079	0.0130
USD/CNH	7.0263	0.0352
GBP/USD	1.2966	0.0067
EUR/GBP	0.8545	0.0055

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.22%	0.90%
2 year swap	1.17%	0.78%
10 year Govt	1.40%	1.17%

A quiet start to the week!

Data releases were thin yesterday, which left markets more or less directionless and scrambling to find some market moving events. And they did!

US President, Donald Trump, Fed Chair, Jerome Powell, and US Treasury Secretary, Steven Mnuchin, met yesterday to discuss the US economy. Trump subsequently tweeted that they had discussed a range of issues including, *“interest rates, negative interest, low inflation, easing, Dollar strength and its effect on manufacturing, trade with China, EU and others.”*

The markets took this in their stride, mostly, although the reference to negative interest rates saw the USD and Treasury yields fall slightly.

The weaker USD helped the NZD/USD stay above 0.6400. Local swaps market should open a touch lower today.

Stuttering UK housing market

The latest surveys by Nationwide Building Society, the UK’s (and, in its own words, the world’s) largest building society, showed an underwhelming rebound in UK house prices in October. The average UK house price rose by 0.2% in October, reversing September’s 0.2% decline. That lifted the annual rise from 0.2% in September, to 0.4% in October, although the annual house price rise has been below 1.0% for the past 11 months.

The average price of properties coming to the market in October were 0.6% higher, a rebound from September’s 0.2% decline. However, October usually sees a much stronger lift. The average October rise over the past 10 years was 1.6% and this October is the lowest since 2008. Furthermore, the annual change was a fall of 0.2%, a reversal of September’s 0.2% rise.

Both surveys attributed the lacklustre UK housing market to Brexit uncertainty even though *“mortgage rates remain close to all-time lows.”* Perhaps, a telling indicator

of household sentiment is that, according to Nationwide, *“more than 95% of borrowers have opted for fixed rate deals in recent quarters, around half of which have opted to fix for five years.”*

Trade worries hit Singapore too

Singapore has become the latest country whose exports have suffered as a consequence of the US/China trade war. Singapore’s non oil exports in October were 12.3% lower than a year earlier, worse than September’s 8.1% decline. Exports of electronic goods in October, which make up roughly one third of Singapore’s non-oil exports, were 16.4% down on a year ago, an improvement on September’s 24.8% fall, but a dismal figure nonetheless.

To make matters worse, the SGD has strengthened against the USD since the beginning of September after having weakened dramatically in July and August. However, it has been relatively steady against the CNY since late August. Given that the Monetary Authority of Singapore, Singapore’s central bank, centres its monetary policy on *“managing the trade-weighted exchange rate with the objective to ensure price stability over the medium term as a basis for sustainable economic growth,”* a stable SGD/CNY when the USD/SGD is moving around speaks volumes about where Singapore’s policymakers see as the source of their greater economic and trade threats.

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BANCORP TREASURY SERVICES LIMITED

DAILY RATES

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FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	70.96					CAD	0.8461 0.9003
NZD/USD	0.6405	0.0003	0.0009	0.0016	0.0026	CHF	0.6328 0.6734
NZD/AUD	0.9397	-0.0003	-0.0009	-0.0018	-0.0035	CNY	4.4993 4.7880
NZD/JPY	69.54	-0.08	-0.33	-0.60	-1.19	DKK	4.3191 4.5962
NZD/EUR	0.5781	-0.0008	-0.0028	-0.0053	-0.0105	FJD	1.4007 1.4905
NZD/GBP	0.4940	-0.0002	-0.0008	-0.0013	-0.0026	HKD	5.0130 5.3346
						KRW	747.19 795.14
AU TWI	59.10					MYR	2.6605 2.8312
AUD/USD	0.6815	0.0005	0.0016	0.0030	0.0053	NOK	5.8336 6.2079
AUD/NZD	1.0642	0.0003	0.0010	0.0020	0.0040	SEK	6.1622 6.5576
AUD/JPY	74.00	-0.06	-0.27	-0.50	-0.99	SGD	0.8710 0.9268
AUD/EUR	0.6151	-0.0007	-0.0024	-0.0045	-0.0089	TWD	19.53 20.78
AUD/GBP	0.5256	0.0000	-0.0003	-0.0004	-0.0008	ZAR	9.4823 10.0908
USD Index	97.75						
EUR/USD	1.1079	0.0020	0.0069	0.0130	0.0250	EQUITIES	
USD/JPY	108.59	-0.17	-0.65	-1.20	-2.28		Index
GBP/USD	1.2966	0.0011	0.0038	0.0067	0.0121	NZX50	10,873
EUR/GBP	0.8545	0.0009	0.0028	0.0055	0.0112	ASX200	6,767
						Dow Jones	28,036
						S&P 500	3,123
						FTSE100	7,308
						DAX 30	13,207
						Nikkei	23,417
						COMMODITIES	
							USD
						Dubai Light	61.67
						Brent Crude	62.17
						Gold	1,472.07
						Silver	17.05
						CRB Index	188.94

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.24%	1.20%	0.86%	0.84%
90 day bank bills	1.24%	1.20%	0.92%	0.88%
FRA 90d in 3mths	1.24%	1.21%	0.81%	0.76%
FRA 180d in 6mths	1.19%	1.16%	0.84%	0.79%
1 year swap*	1.19%	1.16%	0.80%	0.79%
2 year swap*	1.19%	1.16%	0.79%	0.78%
3 year swap*	1.19%	1.17%	0.81%	0.81%
5 year swap*	1.26%	1.23%	1.00%	0.99%
10 year swap*	1.54%	1.52%	1.31%	1.30%
10 year Govt bond		1.38%		1.17%

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

SOURCE: Bloomberg

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