



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Wednesday 20 November 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6425	0.0016
NZD/AUD	0.9410	-0.0018
NZD/JPY	69.72	-0.60
NZD/EUR	0.5798	-0.0053
NZD/GBP	0.4972	-0.0014
NZD/CNH	4.5159	0.0331
AUD/USD	0.6828	0.0030
AUD/EUR	0.6161	-0.0045
EUR/USD	1.1081	0.0130
USD/CNH	7.0287	0.0340
GBP/USD	1.2924	0.0068
EUR/GBP	0.8574	0.0055

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.21%	0.88%
2 year swap	1.16%	0.75%
10 year Govt	1.38%	1.13%

Overview

The lack of global economic data yesterday left the manipulation of markets up to US/China trade war developments and other geopolitical anxiety. US equities were tilted to the downside while the USD was largely unchanged, and the 10 year Treasury yield fell under 1.80% because of a report that the US and Chinese may link the size of tariff rollbacks to terms set during may talks.

The positive GDT auction results overnight lifted the NZD. The overall GDT Price Index was up 1.7% and Whole Milk Powder was up 2.2%.

RBA retains easing bias

The RBA Board is prepared to ease policy further if necessary according to the minutes from the 5 November meeting. It agreed that a case could have been made for a cut at that meeting, but instead, decided to hold the cash rate steady at 0.75% and monitor the impact of previous rate cuts. It also expressed concern that households were being spooked by very low interest rates.

The markets picked up on the dovish undertones of the minutes and, given the weaker employment data from last week increased the odds of a further RBA cash rate cut early next year. The AUD/USD fell back under 0.6800 following the release of the minutes.

The RBA has cut the cash rate three times since June as it tries to rouse confidence in households and spur business investment and wage rises. So far, only the housing market has noticeably been affected, with consumption and wage growth remaining tepid and the unemployment rate stuck at 5.3%, well above the RBA target of 4.5%.

Whether the RBA does cut the cash rate further next year or not, there is nothing to suggest that interest rates are going to be going up anytime soon, so the 'lower for longer' mantra remains steadfastly in place.

BNZ sent to naughty corner on their capital measurement

After errors were identified by BNZ whilst conducting a remediation programme that started last year, the RBNZ has applied a NZD250 million 'precautionary adjustment' to BNZ's regulatory capital requirement. Several errors were found including three capital calculation errors resulting in misreported risk weighting assets over a number of years. BNZ is the latest bank to be caught out by the RBNZ.

ANZ New Zealand lost its accreditation to model its own capital requirements for operational risk in May. In August, Kiwibank disclosed two breaches of its bank registration conditions.

ASB has also disclosed a series of instances where it hasn't complied with conditions of banking registration over the year.

After an 18 month remediation programme with Westpac, the RBNZ has allowed it to retain its internal capital model's accreditation.

The RBNZ's latest regulatory action against a major domestic banks reinforces its determination to increase bank capital buffers and will ratchet up general anticipation (and bank anxiety) ahead of the release of the RBNZ's new, and likely increased, capital requirements for New Zealand registered banks, to be announced on 5 December.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

Wednesday 20 November 2019 | www.bancorptreasury.com

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	71.19					CAD	0.8517 0.9051
NZD/USD	0.6425	0.0003	0.0009	0.0016	0.0026	CHF	0.6365 0.6764
NZD/AUD	0.9410	-0.0003	-0.0009	-0.0018	-0.0037	CNY	4.5153 4.7984
NZD/JPY	69.72	-0.08	-0.32	-0.60	-1.18	DKK	4.3329 4.6045
NZD/EUR	0.5798	-0.0008	-0.0028	-0.0053	-0.0105	FJD	1.4058 1.4939
NZD/GBP	0.4972	-0.0002	-0.0008	-0.0014	-0.0027	HKD	5.0297 5.3451
						KRW	750.80 797.88
AU TWI	59.00					MYR	2.6618 2.8286
AUD/USD	0.6828	0.0006	0.0016	0.0030	0.0055	NOK	5.8626 6.2302
AUD/NZD	1.0627	0.0003	0.0010	0.0020	0.0042	SEK	6.1872 6.5751
AUD/JPY	74.09	-0.06	-0.27	-0.50	-0.97	SGD	0.8745 0.9293
AUD/EUR	0.6161	-0.0007	-0.0024	-0.0045	-0.0088	TWD	19.62 20.85
AUD/GBP	0.5283	0.0000	-0.0003	-0.0005	-0.0008	ZAR	9.4799 10.0743
USD Index	97.82						
EUR/USD	1.1081	0.0022	0.0069	0.0130	0.0251	EQUITIES	
USD/JPY	108.51	-0.18	-0.65	-1.20	-2.28		Index
GBP/USD	1.2924	0.0011	0.0038	0.0068	0.0123	NZX50	10,892
EUR/GBP	0.8574	0.0009	0.0028	0.0055	0.0112	ASX200	6,814
						Dow Jones	27,946
						S&P 500	3,119
						FTSE100	7,324
						DAX 30	13,221
						Nikkei	23,293
						COMMODITIES	
							USD
						Dubai Light	60.34
						Brent Crude	61.06
						Gold	1,474.57
						Silver	17.15
						CRB Index	187.42

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.23%	1.19%	0.85%	0.83%
90 day bank bills	1.23%	1.19%	0.90%	0.86%
FRA 90d in 3mths	1.21%	1.18%	0.77%	0.72%
FRA 180d in 6mths	1.16%	1.13%	0.80%	0.76%
1 year swap*	1.18%	1.14%	0.76%	0.75%
2 year swap*	1.17%	1.14%	0.75%	0.74%
3 year swap*	1.18%	1.15%	0.78%	0.77%
5 year swap*	1.24%	1.21%	0.97%	0.96%
10 year swap*	1.53%	1.50%	1.28%	1.27%
10 year Govt bond		1.37%		1.13%

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

SOURCE: Bloomberg

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.