



MARKET ALERT

Thursday 7 November 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6368	0.0020
NZD/AUD	0.9259	-0.0009
NZD/JPY	69.34	-0.56
NZD/EUR	0.5753	-0.0049
NZD/GBP	0.4957	-0.0010
NZD/CNH	4.4681	0.0333
AUD/USD	0.6878	0.0028
AUD/EUR	0.6214	-0.0047
EUR/USD	1.1067	0.0130
USD/CNH	7.0165	0.0302
GBP/USD	1.2846	0.0068
EUR/GBP	0.8615	0.0056

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.14%	0.94%
2 year swap	1.05%	0.88%
10 year Govt	1.35%	1.27%

Snooze fest

Internationally, financial markets are in a pause mode awaiting further news on the US-China trade dispute, UK election, Brexit negotiations, and central bank adjustments. Equity markets were broadly flat overnight although the US 10-year treasury managed a pause after 3 days of selling as the yield eased back to 1.82%. In a similar vein, FX markets were subdued as news headlines were few and far between.

In a slight downward revision, the IMF lowered its Euro zone growth forecast for the current year to 1.3% from 1.4%, and also lowered its 2020 and 2021 projections to 1.4% from 1.5% respectively.

In other interesting news, China is preparing to take a \$10 billion stake in Aramco when it eventually IPO's, and Softbank, the Japanese tech investment bank that has accentuated the unicorn bubble, announced its first quarterly loss in 14 years, predominately off the back of a \$6.5 billion write down in its WeWork investment.

NZ labour market weakens

NZ unemployment increased more than expected in the September quarter and employment growth is at a multi-year low. This indicated NZ labour market strength is past its peak which could prompt the RBNZ to cut interest rates further next week.

The unemployment rate rose to 4.2% from 3.9% in the September quarter; worse than market consensus of 4.1%. Employment growth has increased 0.2% over the last 3 months and 0.9% over the year — the slowest annual pace since 2013. This isn't surprising as the NZ economy has been in a slowdown phase since 2016.

The details of the report may be a little stronger than the headline suggest; there was a 2% fall in part time employment which weighed on overall employment growth and full-time employment increased 0.6%. Wage growth is continuing to pick up as it hit 10 year highs in September. However, underutilisation, which gives a broader measure of untapped capacity in the labour market, fell sharply.

The weaker labour market puts further pressure on already subdued inflation, suggesting that we could see price levels remain at the lower end of the RBNZ's target for quite some time. Still, wages are rising, the housing market seems to be recovering and domestic price pressures are building, which make it a hard call for the RBNZ next week.

Market consensus is mixed with a 68% chance of the RBNZ cutting the OCR to 0.75% next week, which is down from a 100% chance last month.

Markets didn't move around a whole lot on the announcement of the data as it wasn't too far from anyone's expectations; the NZD/USD sits around the lower end of the 0.6300-0.6500 band.

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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	70.38					CAD 0.8397	0.9068
NZD/USD	0.6368	0.0004	0.0011	0.0020	0.0034	CHF 0.6321	0.6826
NZD/AUD	0.9259	-0.0002	-0.0005	-0.0009	-0.0017	CNY 4.4563	4.8129
NZD/JPY	69.34	-0.07	-0.29	-0.56	-1.11	DKK 4.2991	4.6432
NZD/EUR	0.5753	-0.0008	-0.0026	-0.0049	-0.0099	FJD 1.3899	1.5012
NZD/GBP	0.4957	-0.0002	-0.0006	-0.0010	-0.0020	HKD 4.9844	5.3833
						KRW 739.51	798.70
AU TWI	59.70					MYR 2.6406	2.8519
AUD/USD	0.6878	0.0005	0.0016	0.0028	0.0050	NOK 5.8360	6.3031
AUD/NZD	1.0800	0.0002	0.0006	0.0011	0.0020	SEK 6.1308	6.6214
AUD/JPY	74.90	-0.07	-0.28	-0.53	-1.06	SGD 0.8664	0.9357
AUD/EUR	0.6214	-0.0007	-0.0025	-0.0047	-0.0095	TWD 19.36	20.91
AUD/GBP	0.5354	-0.0001	-0.0004	-0.0006	-0.0011	ZAR 9.4397	10.1952
USD Index	97.96						
EUR/USD	1.1067	0.0022	0.0070	0.0130	0.0254	EQUITIES	
USD/JPY	108.91	-0.18	-0.65	-1.21	-2.32		Index
GBP/USD	1.2846	0.0012	0.0038	0.0068	0.0120	NZX50	10,759
EUR/GBP	0.8615	0.0009	0.0029	0.0056	0.0116	ASX200	6,660
						Dow Jones	27,491
						S&P 500	3,075
						FTSE100	7,397
						DAX 30	13,180
						Nikkei	23,304
						COMMODITIES	
							USD
						Dubai Light	61.18
						Brent Crude	61.85
						Gold	1,490.97
						Silver	17.60
						CRB Index	190.75
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		1.16%	1.12%	0.94%	0.92%		
90 day bank bills		1.16%	1.12%	0.96%	0.92%		
FRA 90d in 3mths		1.04%	1.01%	0.89%	0.84%		
FRA 180d in 6mths		1.03%	0.99%	0.93%	0.89%		
1 year swap*		1.07%	1.04%	0.87%	0.86%		
2 year swap*		1.06%	1.04%	0.88%	0.87%		
3 year swap*		1.09%	1.06%	0.92%	0.91%		
5 year swap*		1.19%	1.16%	1.11%	1.10%		
10 year swap*		1.53%	1.50%	1.40%	1.39%		
10 year Govt bond			1.34%		1.27%		

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

SOURCE: Bloomberg

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