



MARKET ALERT

Thursday 19 December 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6574	0.0017
NZD/AUD	0.9591	-0.0017
NZD/JPY	72.03	-0.61
NZD/EUR	0.5913	-0.0056
NZD/GBP	0.5028	-0.0015
NZD/CNH	4.6038	0.0351
AUD/USD	0.6854	0.0030
AUD/EUR	0.6165	-0.0047
EUR/USD	1.1116	0.0135
USD/CNH	7.0040	0.0353
GBP/USD	1.3074	0.0073
EUR/GBP	0.8503	0.0055

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.23%	0.88%
2 year swap	1.24%	0.76%
10 year Govt	1.56%	1.21%

Improving German sentiment

The closely watched German IFO Institute’s survey of about 9,000 companies in manufacturing, services, trade and construction reported a stronger than expected lift in business confidence this month.

The surveys’ headline business climate index rose from 95.1 in November to 96.3 in December, outpacing expectations for a rise to 95.5. Confidence in Germany’s manufacturing sector “recovered somewhat” but it weakened further in the construction sector.

The survey raises hope that the worst is over for Germany and the Eurozone, although the EUR was unmoved because of the more dominant Brexit worry and another day of a weaker GBP.

The IFO survey, higher oil prices, higher Treasury yields and slight rebounds by the NZD/AUD and AUD/USD are signs that markets are approaching Christmas with an increasingly optimistic (or at least, less pessimistic) mind set.

Asian business sentiment rebounds

The Thomson Reuters/INSEAD quarterly Asian Business Sentiment survey, which asks 102 companies in 11 Asia-Pacific countries for their six-month outlook, reported that “confidence among Asian businesses rebounded sharply this quarter to hit an 18-month high” due to the thawing of trade tensions between China and the US.

The survey’s confidence index climbed to 71 in December from 58 in September (50 is neutral), its highest since June 2018, after languishing just above a decade low in March. There was also a sharp jump in expected sales growth. However, the majority of firms still remain cautious and are not confident enough to begin hiring.

As if to highlight the risks that remain, China’s PBC yesterday lowered its 14 day reverse repo interest rate from 2.70% to 2.65%. The rate cut was not large, but it is not the first time that China has lowered its repo rates this year.

Markets await tomorrow’s monthly rate set for the PBC’s Loan Prime Rates to see if yesterday’s cut in the repo rate translates into a broader move.

Current account not worse but not better

New Zealand’s current account deficit worsened by NZD2.7 billion over the September quarter because of a worsening trade balance. However, that was matched by rising economic growth and offshore investment.

The current account deficit in September was 3.3% of GDP, the same as in June (which was revised down from 3.4%).

New Zealand’s net international investment position worsened from a deficit of 54.9% in June to a deficit of 56.3%, which was funded by a net inflow of investment capital of NZD5.8 billion (of which NZD4.2 billion was through purchases of New Zealand Government Bonds and much of the rest from purchase of local authority and bank debt).

The current account data is another example of the investment reward New Zealand offers the global investment community within the low risk environment (economic, fiscal, monetary, political, geographic, geological) that is New Zealand Inc. The current account data will have a miniscule impact on the September quarter GDP data due today. Market consensus is for a repeat of the June quarter’s 0.5% rise, although the RBNZ predicted 0.3% in its November MPS.

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**BANCORP**

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	72.60					CAD	0.8615 0.8982
NZD/USD	0.6574	0.0003	0.0009	0.0017	0.0028	CHF	0.6443 0.6718
NZD/AUD	0.9591	-0.0003	-0.0008	-0.0017	-0.0040	CNY	4.6001 4.7963
NZD/JPY	72.03	-0.15	-0.33	-0.61	-1.21	DKK	4.4185 4.6069
NZD/EUR	0.5913	-0.0012	-0.0029	-0.0056	-0.0110	FJD	1.4275 1.4884
NZD/GBP	0.5028	-0.0005	-0.0008	-0.0015	-0.0030	HKD	5.1191 5.3373
						KRW	767.02 799.73
AU TWI	59.20					MYR	2.7136 2.8293
AUD/USD	0.6854	0.0005	0.0015	0.0030	0.0058	NOK	5.9238 6.1764
AUD/NZD	1.0426	0.0003	0.0009	0.0019	0.0043	SEK	6.1873 6.4512
AUD/JPY	75.11	-0.14	-0.28	-0.50	-0.95	SGD	0.8910 0.9290
AUD/EUR	0.6165	-0.0011	-0.0025	-0.0047	-0.0089	TWD	19.82 20.67
AUD/GBP	0.5242	-0.0003	-0.0004	-0.0006	-0.0010	ZAR	9.3976 9.7984
USD Index	97.40						
EUR/USD	1.1116	0.0028	0.0069	0.0135	0.0259	EQUITIES	
USD/JPY	109.60	-0.28	-0.65	-1.21	-2.30		Index
GBP/USD	1.3074	0.0018	0.0039	0.0073	0.0135	NZX50	11,330
EUR/GBP	0.8503	0.0010	0.0028	0.0055	0.0109	ASX200	6,851
						Dow Jones	28,294
						S&P 500	3,195
						FTSE100	7,541
						DAX 30	13,222
						Nikkei	23,934
						COMMODITIES	
							USD
						Dubai Light	64.93
						Brent Crude	66.22
						Gold	1,474.33
						Silver	16.99
						CRB Index	195.65

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.21%	1.17%	0.85%	0.83%
90 day bank bills	1.25%	1.21%	0.90%	0.86%
FRA 90d in 3mths	1.25%	1.22%	0.77%	0.72%
FRA 180d in 6mths	1.22%	1.19%	0.81%	0.77%
1 year swap*	1.23%	1.20%	0.75%	0.74%
2 year swap*	1.26%	1.23%	0.76%	0.75%
3 year swap*	1.30%	1.27%	0.83%	0.82%
5 year swap*	1.41%	1.38%	1.06%	1.05%
10 year swap*	1.73%	1.70%	1.41%	1.41%
10 year Govt bond		1.54%		1.21%

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

SOURCE: Bloomberg

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