



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 20 December 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6608	0.0016
NZD/AUD	0.9596	-0.0016
NZD/JPY	72.16	-0.59
NZD/EUR	0.5939	-0.0055
NZD/GBP	0.5074	-0.0015
NZD/CNH	4.6263	0.0353
AUD/USD	0.6886	0.0029
AUD/EUR	0.6189	-0.0047
EUR/USD	1.1127	0.0133
USD/CNH	7.0013	0.0360
GBP/USD	1.3023	0.0070
EUR/GBP	0.8544	0.0056

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.24%	0.91%
2 year swap	1.25%	0.82%
10 year Govt	1.59%	1.27%

GDP bounce

New Zealand's GDP grew at 0.7% in September quarter, beating expectations for a 0.5% rise. The initial reaction was, understandably, to buy the NZD, with the NZD/USD briefly climbing 35 points to 0.6615 and the NZD/AUD climbing 45 points to 0.9645.

However, the devil was in the detail, with the previous quarter's GDP growth number revised down from 0.5% to 0.1%. Once the revision was released, the NZD quickly gave back all of its gains.

The strong September quarter GDP result was driven by a lift in retail spending. Retail industry growth was 2.4% in the quarter, thanks to spending by consumers on electronics, particularly appliances, phones and computers. Overall household spending was up 0.8% for the quarter, with durables up 2.6%, their strongest quarterly rise since March 2017. The services sector, which accounts for two-thirds of the economy, grew at 0.4% this quarter, down from 0.8% in the June quarter.

The national accounts data released last month means that the quarterly and annual growth rates can be revised with the most accurate data, ensuring the GDP measures reflect any changes in the economy. This meant that the June 2019 year's GDP was revised up from 2.4% to 2.8% and that the September year GDP grew at 2.7%. GDP per capita in the September 2019 quarter was 0.4% following a fall of 0.3% in the June quarter. Over the September year, GDP per capita rose at 1.0%.

The NZD and AUD returned to favour overnight as investors acknowledged yesterday's solid economic data on both sides of the Tasman in the face of more worrying words from the BoJ and BoE. The BoE's words were more worrying because they came immediately after

news of an unexpected drop (0.6%) by UK retail sales in November. That pushed the NZD/USD back above 0.6600 and left the NZD feeling good as it approaches the holiday period.

Strong Australian jobs data

For a change, Australia had some better than expected data yesterday — 39,900 jobs were added in November — beating market expectations for a gain of around 15,000. A downward revision to October's jobs numbers, revised from a fall of 19,000 to a fall of 24,800 took some of the gloss off the headline jobs number.

The unemployment rate, which is where the RBA is focused, fell from 5.3% in October to 5.2% in November and yet the participation rate was unchanged, at 66.0%.

The upbeat labour market data added credibility to the RBA's stance of "wait and see" as the economic stimulus come through from its three rate cuts this year and caused markets to unwind some of its bias for an RBA rate cut in the first half of next year. That, in turn, lifted the AUD although it continued to play second fiddle to the NZD.

Merry Christmas — we wish you and your families a Meri Kirihimete.

Today's Market Alert is the last for 2019, and it will resume on Monday 13 January, 2020. The contact phone number for this office during the Christmas and New Year period is 09 912 7600.

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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	72.91					CAD 0.8672	0.9037
NZD/USD	0.6608	0.0003	0.0009	0.0016	0.0027	CHF 0.6458	0.6729
NZD/AUD	0.9596	-0.0003	-0.0008	-0.0016	-0.0037	CNY 4.6277	4.8225
NZD/JPY	72.16	-0.13	-0.31	-0.59	-1.19	DKK 4.4380	4.6248
NZD/EUR	0.5939	-0.0011	-0.0028	-0.0055	-0.0110	FJD 1.4350	1.4954
NZD/GBP	0.5074	-0.0004	-0.0008	-0.0015	-0.0029	HKD 5.1506	5.3674
						KRW 769.03	801.41
AU TWI	59.50					MYR 2.7280	2.8428
AUD/USD	0.6886	0.0005	0.0015	0.0029	0.0055	NOK 5.9276	6.1771
AUD/NZD	1.0421	0.0003	0.0008	0.0018	0.0040	SEK 6.2187	6.4805
AUD/JPY	75.21	-0.12	-0.26	-0.49	-0.96	SGD 0.8951	0.9327
AUD/EUR	0.6189	-0.0010	-0.0025	-0.0047	-0.0091	TWD 19.94	20.78
AUD/GBP	0.5288	-0.0003	-0.0004	-0.0006	-0.0010	ZAR 9.4120	9.8082
USD Index	97.35						
EUR/USD	1.1127	0.0026	0.0068	0.0133	0.0256	EQUITIES	
USD/JPY	109.22	-0.25	-0.61	-1.16	-2.24		Index
GBP/USD	1.3023	0.0017	0.0038	0.0070	0.0129	NZX50	11,481
EUR/GBP	0.8544	0.0009	0.0027	0.0056	0.0111	ASX200	6,833
						Dow Jones	28,339
						S&P 500	3,204
						FTSE100	7,574
						DAX 30	13,212
						Nikkei	23,865
						COMMODITIES	
							USD
						Dubai Light	65.50
						Brent Crude	66.40
						Gold	1,481.06
						Silver	17.11
						CRB Index	195.64

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.20%	1.16%	0.87%	0.85%
90 day bank bills	1.26%	1.22%	0.93%	0.89%
FRA 90d in 3mths	1.25%	1.22%	0.83%	0.78%
FRA 180d in 6mths	1.22%	1.19%	0.87%	0.83%
1 year swap*	1.25%	1.22%	0.80%	0.79%
2 year swap*	1.27%	1.24%	0.83%	0.82%
3 year swap*	1.31%	1.29%	0.87%	0.86%
5 year swap*	1.44%	1.41%	1.11%	1.10%
10 year swap*	1.77%	1.75%	1.45%	1.44%
10 year Govt bond		1.58%		1.27%

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

SOURCE: Bloomberg

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