

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Monday 13 January 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6631	0.0018
NZD/AUD	0.9617	-0.0015
NZD/JPY	72.55	-0.53
NZD/EUR	0.5962	-0.0051
NZD/GBP	0.5089	-0.0013
NZD/CNH	4.5843	0.0330
AUD/USD	0.6895	0.0029
AUD/EUR	0.6201	-0.0043
EUR/USD	1.1120	0.0126
USD/CNH	6.9139	0.0313
GBP/USD	1.3030	0.0068
EUR/GBP	0.8534	0.0052
INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.24%	0.91%
2 year swap	1.18%	0.77%
10 year Govt	1.48%	1.25%

Happy New Year

Welcome to 2020 and a new decade of market gyrations! But, firstly, thoughts and condolences to our Australian friends in these difficult times.

Since the last Market Alert, we have seen an escalation in both words and action between the US and Iran, confirmation that the US and China will sign Phase 1 of the trade deal, the Chinese central bank cutting its Loan Prime Rate (aka China's LIBOR) by 20 bps, the UK Parliament passing the Brexit Withdrawal Agreement Bill, the devastating bush fires in Australia, the Fed continues to support US banks'

liquidity and US equity markets hitting record highs.

The situation between the US and Iran appears to have reached a pause, and potentially a de-escalation, after both leaders appeared strong and retaliatorily in front of their respective political base(s).

China's Vice Premier Liu will be in Washington this week to sign Phase 1 of the trade deal.

Following on from the devastation of the Australian bush fires, the Australian Financial Review's quarterly survey found 12 out of 25 economists expect the RBA's cash rate to be just 0.25% at the end of 2020, and 23 out of 25 are counting on one rate cut by June. Given the bushfires have consumed an area 20 times greater than a similar conflagration in 2009, the cost will dwarf the AUD3 billion price attached to that disaster.

In the US, while the data headlines continued their trend of broadly stronger for employment and weaker for manufacturing, as with Friday's labour market numbers, equity markets shook off the risk of a prolonged trade (China) and military (Iran) confrontations over and rallied strongly.

While one can debate the requirements and merits of the Fed's continuously increasing repo operations (dare we say QE4), the enhanced availability of continuous liquidity and the (potentially) quick resolution to the

US-Iran hostilities (hopefully we haven't spoken too soon) has seen equity market continue their December rally to set new highs.

Uninspiring US jobs data

US jobs data fell short of market expectations in December which suggest the US economy is slowing, not stalling, going into 2020. The US added 145,000 non-farm jobs, the unemployment rate was unchanged at 3.5%, the participation rate unchanged at 63.2% and average hourly earnings rose 2.9% over the year (from 3.1% in November) in December.

The lower than expected jobs number, a downward revision to the work week and tepid average hourly earnings growth mean that household income creation is on weaker footing heading into the new decade. Despite the weaker data, it will be unlikely to change the Fed's sentiment to remain on hold for the foreseeable future.

Treasury yields and the USD fell, which lifted the NZD/USD to 0.6640 although it starts the week still under the cloud of holiday period illiquidity.



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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	72.89					CAD	0.8654 0.8999
NZD/USD	0.6631	0.0003	0.0009	0.0018	0.0028	CHF	0.6453 0.6709
NZD/AUD	0.9617	-0.0002	-0.0007	-0.0015	-0.0037	CNY	4.5909 4.7737
NZD/JPY	72.55	-0.10	-0.26	-0.53	-1.12	DKK	4.4561 4.6336
NZD/EUR	0.5962	-0.0009	-0.0025	-0.0051	-0.0107	FJD	1.4392 1.4965
NZD/GBP	0.5089	-0.0002	-0.0006	-0.0013	-0.0030	HKD	5.1527 5.3579
						KRW	769.09 799.72
AU TWI	59.20					MYR	2.6992 2.8067
AUD/USD	0.6895	0.0005	0.0015	0.0029	0.0056	NOK	5.8922 6.1268
AUD/NZD	1.0398	0.0002	0.0007	0.0017	0.0040	SEK	6.2976 6.5484
AUD/JPY	75.48	-0.09	-0.21	-0.43	-0.88	SGD	0.8941 0.9297
AUD/EUR	0.6201	-0.0008	-0.0022	-0.0043	-0.0088	TWD	19.90 20.69
AUD/GBP	0.5292	-0.0001	-0.0003	-0.0005	-0.0011	ZAR	9.5305 9.9101
USD Index	97.36						
EUR/USD	1.1120	0.0021	0.0063	0.0126	0.0251		
USD/JPY	109.47	-0.20	-0.54	-1.08	-2.14		
GBP/USD	1.3030	0.0011	0.0034	0.0068	0.0134		
EUR/GBP	0.8534	0.0009	0.0026	0.0052	0.0104		
INTEREST		New Zealand		Australia		EQUITIES	
RATES		Borrow	Invest	Borrow	Invest		Index
30 day bank bills		1.21%	1.17%	0.87%	0.85%	NZX50	11,552
90 day bank bills		1.26%	1.22%	0.93%	0.89%	ASX200	6,929
FRA 90d in 3mths		1.19%	1.16%	0.76%	0.71%	Dow Jones	28,824
FRA 180d in 6mths		1.15%	1.12%	0.83%	0.79%	S&P 500	3,265
1 year swap*		1.18%	1.15%	0.76%	0.75%	FTSE100	7,588
2 year swap*		1.19%	1.17%	0.77%	0.76%	DAX 30	13,483
3 year swap*		1.23%	1.20%	0.81%	0.81%	Nikkei	23,851
5 year swap*		1.32%	1.30%	1.02%	1.01%		
10 year swap*		1.66%	1.63%	1.36%	1.35%		
10 year Govt bond			1.46%		1.25%		
						COMMODITIES	
						USD	
						Dubai Light	65.18
						Brent Crude	64.98
						Gold	1,562.03
						Silver	18.07
						CRB Index	194.97

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

SOURCE: Bloomberg

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