



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 14 January 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6635	0.0018
NZD/AUD	0.9602	-0.0016
NZD/JPY	72.93	-0.54
NZD/EUR	0.5956	-0.0051
NZD/GBP	0.5105	-0.0015
NZD/CNH	4.5664	0.0334
AUD/USD	0.6910	0.0030
AUD/EUR	0.6203	-0.0043
EUR/USD	1.1140	0.0127
USD/CNH	6.8825	0.0317
GBP/USD	1.2997	0.0073
EUR/GBP	0.8571	0.0049

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.25%	0.89%
2 year swap	1.18%	0.78%
10 year Govt	1.46%	1.21%

Oh, the relief!

The week started on a quiet but confident and relieved note as details emerged about the Phase 1 trade deal between the US and China, further easing one of the main global geopolitical worries.

US officials have indicated that, as part of the Phase 1 trade deal to be signed in coming days, China will commit to not weakening the yuan and will make additional disclosures about its foreign exchange practices, while the

US will lift its designation of China as a currency manipulator. When the US initially labelled China as a currency manipulator it further intensified the tensions between the two economic powerhouses and came about after the PBC allowed the yuan to weaken last year in retaliation to the tariffs imposed by the US.

Markets expressed relief by selling USD, buying the CNY and related (commodity and risk) currencies, and lifting bond yields. As a result, the USD/CNH fell below 6.9000 for the first time since July.

The NZD/USD and AUD/USD rebounded, reclaiming 0.6650 and 0.6900 respectively, although the NZD/USD lost that mark overnight. The usual safe haven currencies, the CHF and JPY, moved in step with the USD, resulting in the NZD and AUD making gains against both.

The most notable rise in 10-year bond yields was made by German bonds, which rose to their highest levels since May, however, ending the day at -0.16% takes a lot of the gloss off that rise. We expect local swap rates to start today under upward pressure although that pressure will be offset by worries about the impact on the RBNZ's monetary policy stance from the higher than expected TWI and the increasing likelihood of an RBA rate cut in the first half of this year.

GBP hit by weak data

UK industrial production fell by 1.2% in November, contrary to consensus for no change. The main cause was a 1.7% drop in manufacturing production in the month, which resulted in a 0.8% fall over the three months to the end of November. The weakness was broad-based with 10 of the 13 industrial sectors recording falling production in November.

Also, official estimates showed that UK GDP fell by 0.3% in November, a bigger fall than the 0.2% expected by markets.

The data comes soon after comments from senior BoE policymakers, including Governor, Mark Carney, that the BoE could be amendable to cutting its Bank Rate if data does not show the expected rebound in the UK economy now that there is certainty about Brexit. Last night's data clearly met that criteria. Not surprisingly, the GBP fell after the data was released with the GBP/USD falling below 1.3000 despite a weaker USD. The NZD/GBP reclaimed 0.5100.

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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	72.79					CAD	0.8657 0.9016
NZD/USD	0.6635	0.0004	0.0009	0.0018	0.0030	CHF	0.6439 0.6706
NZD/AUD	0.9602	-0.0002	-0.0007	-0.0016	-0.0035	CNY	4.5748 4.7644
NZD/JPY	72.93	-0.09	-0.26	-0.54	-1.15	DKK	4.4510 4.6355
NZD/EUR	0.5956	-0.0009	-0.0025	-0.0051	-0.0106	FJD	1.4390 1.4986
NZD/GBP	0.5105	-0.0002	-0.0007	-0.0015	-0.0033	HKD	5.1562 5.3699
						KRW	766.70 798.48
AU TWI	59.40					MYR	2.6951 2.8068
AUD/USD	0.6910	0.0005	0.0015	0.0030	0.0057	NOK	5.8989 6.1434
AUD/NZD	1.0414	0.0002	0.0008	0.0017	0.0038	SEK	6.2781 6.5383
AUD/JPY	75.95	-0.08	-0.22	-0.44	-0.92	SGD	0.8935 0.9305
AUD/EUR	0.6203	-0.0008	-0.0022	-0.0043	-0.0088	TWD	19.83 20.65
AUD/GBP	0.5317	-0.0001	-0.0003	-0.0007	-0.0015	ZAR	9.5595 9.9557
USD Index	97.34						
EUR/USD	1.1140	0.0023	0.0064	0.0127	0.0253	EQUITIES	
USD/JPY	109.92	-0.20	-0.55	-1.11	-2.22		Index
GBP/USD	1.2997	0.0013	0.0036	0.0073	0.0143	NZX50	11,544
EUR/GBP	0.8571	0.0010	0.0025	0.0049	0.0099	ASX200	6,904
						Dow Jones	28,865
						S&P 500	3,281
						FTSE100	7,618
						DAX 30	13,452
						Nikkei	23,851
						COMMODITIES	
							USD
						Dubai Light	65.60
						Brent Crude	64.44
						Gold	1,549.50
						Silver	17.98
						CRB Index	193.82

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.21%	1.17%	0.86%	0.84%
90 day bank bills	1.27%	1.23%	0.91%	0.87%
FRA 90d in 3mths	1.17%	1.14%	0.78%	0.73%
FRA 180d in 6mths	1.15%	1.12%	0.84%	0.80%
1 year swap*	1.19%	1.16%	0.77%	0.77%
2 year swap*	1.19%	1.17%	0.78%	0.77%
3 year swap*	1.22%	1.19%	0.83%	0.83%
5 year swap*	1.31%	1.29%	1.05%	1.04%
10 year swap*	1.64%	1.61%	1.38%	1.37%
10 year Govt bond		1.45%		1.21%

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

SOURCE: Bloomberg

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