



# MARKET ALERT

Thursday 16 January 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6612	0.0018
NZD/AUD	0.9576	-0.0016
NZD/JPY	72.64	-0.53
NZD/EUR	0.5928	-0.0051
NZD/GBP	0.5075	-0.0016
NZD/CNH	4.5563	0.0355
AUD/USD	0.6904	0.0030
AUD/EUR	0.6191	-0.0042
EUR/USD	1.1151	0.0126
USD/CNH	6.8917	0.0350
GBP/USD	1.3027	0.0075
EUR/GBP	0.8560	0.0047

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.28%	0.88%
2 year swap	1.19%	0.76%
10 year Govt	1.51%	1.21%

## US-China Phase 1 finally signed

After 18 months of conflict between the world’s two largest economies, impacting billions of dollars in goods, roiling financial markets, uprooting supply chains and slowing global growth, the world hoped that the actual signing would proceed smoothly.

Unfortunately, headlines from the Global Times, an official newspaper of the Communist Party of China, stating a source close to the Ministry

of Commerce, led with *“we can’t expect that China-US trade friction will disappear simply because of signing a deal,”* and that the signing of this deal will not necessarily lead to negotiations toward the next round of agreements anytime soon. Against this, US National Economic Council Director Larry Kudlow stated that the two sides *“will move into phase two immediately.”*

In impeachment news, the US House of Representatives voted to send articles of impeachment to the Senate raising two charges against President Trump of abuse of power and obstruction of Congress. It is anticipated the Senate process will begin next week.

In actual, real, economic news, US producer prices edged up in December while inflationary pressures remain subdued. The PPI was up 0.1% against an expectation of 0.2%, while the headline annual number and expectation were both 1.3%, its smallest gain since 2015.

## CHF rallies

Shortly after the US Government added the CHF to its watchlist of currency manipulators, the currency climbed to multi year highs as markets bet that the Swiss National Bank (“SNB”) is now less likely to intervene and devalue its currency. The biggest losers against the CHF were the EUR and JPY, with the CHF/EUR reaching its highest since the

middle of 2017 and the CHF/JPY to its highest since the end of 2018.

All eyes will be on the SNB in the next few weeks to see how far the CHF will appreciate before it intervenes.

## Rate cut looks more likely for the UK

It is looking more likely that the BoE will re-start its easing cycle. UK consumer prices rose 1.3% over the December year versus market consensus and November’s rise of 1.5%, while the core rate also declined, rising 1.4% from 1.7% in November. Headline inflation has been below the BoE’s 2.0% target since August and its expected to continue to underperform until at least the middle of 2021.

The GBP slipped and the 10 year Gilt yield fell after the inflation data fuelled bets that the BoE will lower its Bank Rate this year. Markets have priced a 76% chance of a BoE rate cut this month and have fully priced in a cut in May. The GBP also fell with the EUR after weaker than expected Eurozone industrial production data.

The GBP/USD and EUR/USD later rebounded due to some USD weakness that also pushed the NZD/USD back above 0.6600. The NZD and AUD moved down and up against the USD with the GBP and EUR.

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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	72.53					<b>CAD</b>	0.8626	0.9008
NZD/USD	0.6612	0.0004	0.0010	0.0018	0.0030	<b>CHF</b>	0.6372	0.6654
NZD/AUD	0.9576	-0.0002	-0.0007	-0.0016	-0.0037	<b>CNY</b>	4.5567	4.7585
NZD/JPY	72.64	-0.08	-0.26	-0.53	-1.14	<b>DKK</b>	4.4306	4.6267
NZD/EUR	0.5928	-0.0008	-0.0025	-0.0051	-0.0106	<b>FJD</b>	1.4307	1.4941
NZD/GBP	0.5075	-0.0002	-0.0007	-0.0016	-0.0035	<b>HKD</b>	5.1376	5.3650
						<b>KRW</b>	765.77	799.68
AU TWI	59.30					<b>MYR</b>	2.6922	2.8114
AUD/USD	0.6904	0.0005	0.0015	0.0030	0.0058	<b>NOK</b>	5.8595	6.1189
AUD/NZD	1.0443	0.0002	0.0007	0.0018	0.0040	<b>SEK</b>	6.2533	6.5302
AUD/JPY	75.87	-0.07	-0.21	-0.43	-0.90	<b>SGD</b>	0.8901	0.9295
AUD/EUR	0.6191	-0.0008	-0.0022	-0.0042	-0.0087	<b>TWD</b>	19.79	20.66
AUD/GBP	0.5300	-0.0001	-0.0004	-0.0007	-0.0017	<b>ZAR</b>	9.5241	9.9458
USD Index	97.22							
EUR/USD	1.1151	0.0022	0.0063	0.0126	0.0253	<b>EQUITIES</b>		
USD/JPY	109.90	-0.18	-0.54	-1.10	-2.21			<b>Index</b>
GBP/USD	1.3027	0.0012	0.0037	0.0075	0.0150	<b>NZX50</b>		11,677
EUR/GBP	0.8560	0.0009	0.0024	0.0047	0.0095	<b>ASX200</b>		6,995
						<b>Dow Jones</b>		29,031
						<b>S&amp;P 500</b>		3,290
						<b>FTSE100</b>		7,643
						<b>DAX 30</b>		13,432
						<b>Nikkei</b>		23,917
						<b>COMMODITIES</b>		
								<b>USD</b>
						<b>Dubai Light</b>		63.75
						<b>Brent Crude</b>		64.15
						<b>Gold</b>		1,555.47
						<b>Silver</b>		17.98
						<b>CRB Index</b>		193.78

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.22%	1.18%	0.85%	0.83%
90 day bank bills	1.30%	1.26%	0.90%	0.86%
FRA 90d in 3mths	1.19%	1.16%	0.76%	0.71%
FRA 180d in 6mths	1.15%	1.12%	0.82%	0.78%
1 year swap*	1.20%	1.17%	0.76%	0.75%
2 year swap*	1.20%	1.18%	0.76%	0.75%
3 year swap*	1.23%	1.20%	0.80%	0.80%
5 year swap*	1.33%	1.31%	1.02%	1.01%
10 year swap*	1.66%	1.64%	1.35%	1.34%
10 year Govt bond		1.49%		1.21%

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

SOURCE: Bloomberg

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