



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 17 January 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6632	0.0018
NZD/AUD	0.9621	-0.0018
NZD/JPY	73.03	-0.54
NZD/EUR	0.5955	-0.0051
NZD/GBP	0.5076	-0.0015
NZD/CNH	4.5621	0.0363
AUD/USD	0.6892	0.0031
AUD/EUR	0.6189	-0.0042
EUR/USD	1.1135	0.0126
USD/CNH	6.8785	0.0365
GBP/USD	1.3065	0.0074
EUR/GBP	0.8523	0.0048

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.29%	0.88%
2 year swap	1.20%	0.75%
10 year Govt	1.51%	1.18%

Trump in trouble again

The Trump administration broke the law when it withheld USD214m of congressionally approved military aid to Ukraine *“for a policy reason,”* according to the Government Accountability Office, adding *“Faithful execution of the law does not permit the president to substitute his own priorities for those that Congress has enacted into law.”*

The release of this report came a day after the House of Representatives sent articles of impeachment of

President Donald Trump to the Senate and provides further support for the impeachment process. Mr Trump’s fellow Republicans hold sway in the Senate 53-47 and are all but certain to acquit him.

Equities continue to rally

Regardless of Trumps impeachment proceedings, post the signing of yesterday’s US-China trade deal and data releases highlighting the US consumer is holding up, we had another strong day for US equities as each individual index hit new highs.

In trending fashion, the 10 year US treasury yield held relatively stable at 1.81%, while the USD index lifted slightly. Looking at the markets, both individually and collectively, consolidation patterns are in play while we await a directional basis ahead of a breakout into new ranges.

Encouraging US data

Recent economic reports illustrate Americans are increasingly upbeat, as more people are willing to own their own homes and most importantly, they are still spending.

Headline US retail sales rose in line with expectations, with an increase of 0.3% over the last month of 2019. However, retail sales excluding autos beat market

consensus, rising 0.5%, the largest increase in five months. Bloomberg’s index of consumer comfort advanced to 19 year highs and a gauge of the homebuilder sentiment posted its best back to back reading since 1999. Reports also showed unemployment benefits reaching a six year low, while the regional manufacturing index was the strongest since May. It looks like the world (the US) is good again!

Fuelling the positive consumer sentiment are the interest rate cuts made by the FOMC last year, which have pushed down mortgage rates and explain the increase in the Homebuilder sentiment. At the same time in December, markets were confident that Xi and Trump were coming to some sort of agreement, which removed the underlying uncertainty in the market. All of this, along with the US equity index’s reaching new highs every week, only paints a positive picture for the US consumer.

The retails sales data paired losses seen in the USD earlier this week. This stronger USD led to declines in the NZD/USD and AUD/USD, prompting early strength to be unwound. After testing 0.6660 and 0.6930 briefly overnight, the NZD/USD and AUD/USD start this morning back around 0.6630 and 0.6890 respectively.

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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	72.80					CAD	0.8655 0.8996
NZD/USD	0.6632	0.0003	0.0009	0.0018	0.0029	CHF	0.6396 0.6648
NZD/AUD	0.9621	-0.0002	-0.0008	-0.0018	-0.0039	CNY	4.5647 4.7448
NZD/JPY	73.03	-0.08	-0.26	-0.54	-1.15	DKK	4.4491 4.6246
NZD/EUR	0.5955	-0.0008	-0.0025	-0.0051	-0.0106	FJD	1.4350 1.4916
NZD/GBP	0.5076	-0.0002	-0.0007	-0.0015	-0.0035	HKD	5.1540 5.3573
						KRW	769.59 799.94
AU TWI	59.30					MYR	2.6981 2.8045
AUD/USD	0.6892	0.0005	0.0015	0.0031	0.0058	NOK	5.8937 6.1262
AUD/NZD	1.0394	0.0002	0.0009	0.0019	0.0042	SEK	6.2942 6.5425
AUD/JPY	75.91	-0.07	-0.21	-0.42	-0.89	SGD	0.8934 0.9286
AUD/EUR	0.6189	-0.0007	-0.0021	-0.0042	-0.0086	TWD	19.85 20.63
AUD/GBP	0.5275	-0.0001	-0.0003	-0.0006	-0.0015	ZAR	9.5611 9.9383
USD Index	97.34						
EUR/USD	1.1135	0.0021	0.0063	0.0126	0.0251	EQUITIES	
USD/JPY	110.14	-0.18	-0.55	-1.10	-2.20		Index
GBP/USD	1.3065	0.0012	0.0037	0.0074	0.0148	NZX50	11,738
EUR/GBP	0.8523	0.0009	0.0025	0.0048	0.0095	ASX200	7,042
						Dow Jones	29,212
						S&P 500	3,308
						FTSE100	7,610
						DAX 30	13,429
						Nikkei	23,933
						COMMODITIES	
							USD
						Dubai Light	64.08
						Brent Crude	64.82
						Gold	1,550.35
						Silver	17.92
						CRB Index	193.33
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		1.23%	1.19%	0.85%	0.83%		
90 day bank bills		1.31%	1.27%	0.90%	0.86%		
FRA 90d in 3mths		1.21%	1.18%	0.75%	0.70%		
FRA 180d in 6mths		1.17%	1.14%	0.82%	0.78%		
1 year swap*		1.21%	1.19%	0.76%	0.75%		
2 year swap*		1.22%	1.19%	0.76%	0.75%		
3 year swap*		1.25%	1.22%	0.80%	0.79%		
5 year swap*		1.35%	1.32%	1.02%	1.01%		
10 year swap*		1.67%	1.64%	1.35%	1.34%		
10 year Govt bond			1.50%		1.18%		

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

SOURCE: Bloomberg

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