



MARKET ALERT

Monday 20 January 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6615	0.0017
NZD/AUD	0.9626	-0.0018
NZD/JPY	72.87	-0.54
NZD/EUR	0.5967	-0.0051
NZD/GBP	0.5084	-0.0016
NZD/CNH	4.5423	0.0367
AUD/USD	0.6879	0.0031
AUD/EUR	0.6202	-0.0041
EUR/USD	1.1092	0.0125
USD/CNH	6.8675	0.0376
GBP/USD	1.3016	0.0075
EUR/GBP	0.8522	0.0047

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.29%	0.87%
2 year swap	1.22%	0.74%
10 year Govt	1.54%	1.18%

Feel good factor continues

World stockmarkets ended the week on, yet again, new highs as the feel good factor continued post the signing of the US-China Phase 1 trade deal, to which were added optimism over corporate earnings, US housing starts and signs of a rebound in the Chinese economy.

A lot of the goodwill that is prevailing across global markets has been derived from the accommodative stance of the Fed. This was highlighted over the weekend by comments from St Louis

Fed President James Bullard, who stated, *“we eased substantially in 2019. That will come on board in 2020,”* and, to emphasise that the Fed is on hold, *“we will see how much impact we have in the first half of 2020 and probably all the way through 2020, and then we will see where we are.”*

This was highlighted by the MSCI Index, the gauge of international stocks, which gained 0.41% on Friday to set another record close. Each day last week triggered new highs as the MSCI made its largest weekly percentage gain since September 2019.

In addition, US housing also had a stellar performance as housing starts jumped 16.9% to a seasonally adjusted 1.608 million units in December, a 13 year high! This saw the benchmark 10 year Treasuries yield rise 3 bps to 1.84%.

Currency-wise, the good news was supportive of the USD, which pushed down the NZD/USD and AUD/USD over the weekend. Notably, the NZD/USD stayed above 0.6600.

China GDP grows 6.1% in 2019

China’s economy stabilised over the December quarter after slowing to the weakest pace in almost 30 years.

The rebound in investment indicates that there could be a firmer recovery just around the corner.

GDP rose 6.0% in the December quarter from a year earlier and rose 6.1% in 2019 which was in line with market expectations but slower than the 6.6% in the previous year. Meanwhile, fixed asset investment rose 5.4% for the year, picking up in December particularly through a jump in manufacturing expenditure. Industrial output rose 6.9% in December from a year earlier, which beat market expectations of a 5.9% increase. Also, retail sales increased 8.0%, beating market consensus of 7.9%.

Unemployment rate ticked up to 5.2% from 5.1% which could mean that the slowdown in manufacturing in recent months may yet to be fully felt in the labour market.

58% of China’s growth in 2019 came from consumption, with investment adding 31% and exports 11%. The 2019 consumption number was lower than that in 2018 which means that China still has a way to go in relying less on an investment and export driven GDP.

Despite China’s growth slowing to its lowest level in 30 years, the monthly data for December painted a positive picture looking forward. The signing of the Phase 1 trade deal with the US combined with recovering global demand has improved the outlook for Chinese exporters, though great uncertainty remains. The improving economic condition in China could see the NZD and AUD edge higher throughout 2020.

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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	72.64					CAD	0.8645 0.8981
NZD/USD	0.6615	0.0003	0.0009	0.0017	0.0029	CHF	0.6402 0.6651
NZD/AUD	0.9626	-0.0002	-0.0008	-0.0018	-0.0040	CNY	4.5361 4.7125
NZD/JPY	72.87	-0.08	-0.26	-0.54	-1.15	DKK	4.4570 4.6304
NZD/EUR	0.5967	-0.0009	-0.0025	-0.0051	-0.0107	FJD	1.4300 1.4856
NZD/GBP	0.5084	-0.0002	-0.0007	-0.0016	-0.0036	HKD	5.1379 5.3378
						KRW	767.87 797.75
AU TWI	59.20					MYR	2.6937 2.7985
AUD/USD	0.6879	0.0005	0.0015	0.0031	0.0059	NOK	5.8943 6.1236
AUD/NZD	1.0389	0.0002	0.0009	0.0020	0.0043	SEK	6.2962 6.5411
AUD/JPY	75.77	-0.07	-0.21	-0.42	-0.88	SGD	0.8910 0.9256
AUD/EUR	0.6202	-0.0008	-0.0021	-0.0041	-0.0085	TWD	19.81 20.58
AUD/GBP	0.5285	-0.0001	-0.0003	-0.0007	-0.0016	ZAR	9.5691 9.9414
USD Index	97.61						
EUR/USD	1.1092	0.0022	0.0063	0.0125	0.0251	EQUITIES	
USD/JPY	110.15	-0.18	-0.55	-1.10	-2.20		Index
GBP/USD	1.3016	0.0012	0.0037	0.0075	0.0150	NZX50	11,800
EUR/GBP	0.8522	0.0009	0.0024	0.0047	0.0093	ASX200	7,064
						Dow Jones	29,348
						S&P 500	3,330
						FTSE100	7,675
						DAX 30	13,526
						Nikkei	24,041
						COMMODITIES	
							USD
						Dubai Light	64.09
						Brent Crude	64.85
						Gold	1,556.91
						Silver	18.02
						CRB Index	193.71
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		1.23%	1.19%	0.84%	0.82%		
90 day bank bills		1.31%	1.27%	0.89%	0.85%		
FRA 90d in 3mths		1.21%	1.18%	0.73%	0.68%		
FRA 180d in 6mths		1.18%	1.15%	0.81%	0.77%		
1 year swap*		1.21%	1.19%	0.74%	0.73%		
2 year swap*		1.23%	1.20%	0.74%	0.73%		
3 year swap*		1.26%	1.23%	0.78%	0.77%		
5 year swap*		1.37%	1.34%	1.00%	0.99%		
10 year swap*		1.70%	1.67%	1.34%	1.33%		
10 year Govt bond			1.52%		1.18%		

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

SOURCE: Bloomberg

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