



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.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

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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