



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 21 January 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6606	0.0017
NZD/AUD	0.9614	-0.0018
NZD/JPY	72.78	-0.54
NZD/EUR	0.5957	-0.0051
NZD/GBP	0.5082	-0.0016
NZD/CNH	4.5364	0.0361
AUD/USD	0.6872	0.0031
AUD/EUR	0.6196	-0.0042
EUR/USD	1.1090	0.0125
USD/CNH	6.8676	0.0368
GBP/USD	1.2998	0.0075
EUR/GBP	0.8532	0.0047

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.29%	0.85%
2 year swap	1.20%	0.73%
10 year Govt	1.54%	1.17%

US holiday drains liquidity and volatility

With the US celebrating Martin Luther King Day, markets were calm overnight. The main mover was the British pound, which fell further as traders continued to react to Brexit comments from U.K. Finance Minister, Sajid Javid.

In an FT interview, the chancellor of the Exchequer stated, *“There will not be alignment, we will not be a rule-taker, we will not be in the single market and we will not be in the customs union — and we will do this by the end of the year,”* warning U.K. businesses that the government

would remain committed to as hard a Brexit as possible and that it would not seek regulatory alignment with Brussels. Sterling slipped by around 0.2% versus the greenback and 0.3% versus the euro and aligns central government rhetoric with recent comments from Bank of England MPC members highlighting the possibility of additional interest rate cuts.

Within this environment, the NZD is trading towards the bottom of its current ranges on light volumes.

Coronavirus, a new SARS-like virus that originated in central China, is spreading quickly as reports emerge of a third death in Wuhan.

Most worrying is its ability to spread, with the number of cases having surged over the weekend and a single carrier has reportedly infected over a dozen medical personnel. Of significant concern is the fact that we are merely days away from the Chinese New Year — a traditional holiday season when local citizens rack up 3 billion trips across the country to reunite with family.

Even as President Trump travels to Davos for this week’s summit, the impeachment process is starting to attract headlines. The President provided his thoughts with, *“The Senate should speedily reject these deficient articles of impeachment and acquit the president,”* while the White House added, *“The Senate should speedily reject these deficient articles of impeachment and acquit the president.”*

IMF trims global growth outlook ... again

The IMF has predicted that the world economy will strengthen in 2020 relative to 2019 but the recent tensions in the Middle East and headwinds relating to global trade have caused the IMF to downgrade their 2020 global growth outlook once again.

Global growth will pick up to 3.3% in 2020 from 2.9% in 2019 which is the first pick-up in growth in three years; however, this is a downgrade of 0.1% from their predications made in October 2019. Meanwhile, the 2019 figure was downgraded not once, not twice, but for a sixth time.

The IMF’s report wasn’t all bad news as it noted that risks are *“less skewed”* toward negative outcomes. The sentiment that global growth is stabilising and recovering is one shared by many central banks and economists. The fund see growth picking up to 3.4% in 2021 due to a rebound in manufacturing and global trade, positive developments on the US/China trade talks, and more fiscal and monetary easing. The IMF also quantified the impact of the central bank easing over 2019 and said expansion would have been reduced by 0.5% without their stimulus.

Overall the IMF, central banks, and economists seem more bullish on 2020 and 2021, with far less headwinds than those seen in 2019.

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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	72.56					CAD	0.8620 0.8966
NZD/USD	0.6606	0.0003	0.0009	0.0017	0.0028	CHF	0.6398 0.6655
NZD/AUD	0.9614	-0.0003	-0.0008	-0.0018	-0.0041	CNY	4.5361 4.7185
NZD/JPY	72.78	-0.10	-0.26	-0.54	-1.14	DKK	4.4508 4.6297
NZD/EUR	0.5957	-0.0009	-0.0025	-0.0051	-0.0106	FJD	1.4310 1.4886
NZD/GBP	0.5082	-0.0003	-0.0008	-0.0016	-0.0036	HKD	5.1322 5.3385
						KRW	765.95 796.75
AU TWI	59.10					MYR	2.6834 2.7912
AUD/USD	0.6872	0.0005	0.0016	0.0031	0.0059	NOK	5.8994 6.1366
AUD/NZD	1.0402	0.0003	0.0009	0.0020	0.0045	SEK	6.2891 6.5419
AUD/JPY	75.71	-0.08	-0.20	-0.42	-0.87	SGD	0.8898 0.9255
AUD/EUR	0.6196	-0.0008	-0.0021	-0.0042	-0.0084	TWD	19.80 20.60
AUD/GBP	0.5287	-0.0001	-0.0003	-0.0007	-0.0015	ZAR	9.5814 9.9666
USD Index	97.64						
EUR/USD	1.1090	0.0022	0.0063	0.0125	0.0250	EQUITIES	
USD/JPY	110.18	-0.20	-0.54	-1.10	-2.19		Index
GBP/USD	1.2998	0.0013	0.0037	0.0075	0.0149	NZX50	11,747
EUR/GBP	0.8532	0.0009	0.0024	0.0047	0.0093	ASX200	7,080
						Dow Jones	29,348
						S&P 500	3,330
						FTSE100	7,651
						DAX 30	13,549
						Nikkei	24,084
						COMMODITIES	
							USD
						Dubai Light	64.42
						Brent Crude	65.17
						Gold	1,560.39
						Silver	18.06
						CRB Index	193.71

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.23%	1.19%	0.82%	0.80%
90 day bank bills	1.31%	1.27%	0.87%	0.83%
FRA 90d in 3mths	1.21%	1.18%	0.73%	0.68%
FRA 180d in 6mths	1.18%	1.15%	0.79%	0.75%
1 year swap*	1.22%	1.19%	0.74%	0.73%
2 year swap*	1.21%	1.19%	0.74%	0.73%
3 year swap*	1.24%	1.22%	0.78%	0.77%
5 year swap*	1.35%	1.32%	1.00%	0.99%
10 year swap*	1.67%	1.65%	1.33%	1.32%
10 year Govt bond		1.52%		1.17%

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

SOURCE: Bloomberg

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