



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Wednesday 19 February 2020 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6382	0.0012
NZD/AUD	0.9548	-0.0015
NZD/JPY	70.10	-0.55
NZD/EUR	0.5909	-0.0053
NZD/GBP	0.4910	-0.0014
NZD/CNH	4.4720	0.0267
AUD/USD	0.6684	0.0023
AUD/EUR	0.6188	-0.0046
EUR/USD	1.0800	0.0118
USD/CNH	7.0067	0.0288
GBP/USD	1.2999	0.0060
EUR/GBP	0.8309	0.0052

  

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.18%	0.90%
2 year swap	1.10%	0.72%
10 year Govt	1.32%	1.03%

## RBA hopeful

The 4 February 2020 RBA minutes, which came out overnight, outlined that while global economic conditions have improved, the coronavirus is an area of concern for the Australian economy. However, as it is in its early stages, the impact of the epidemic was too hard to predict at this stage. The domestic economy painted a more of a mixed picture with exports and public demand strong but household consumption and investment remaining subdued.

Governor Lowe stated *“The easing in trade tensions between the United States*

*and China, and ongoing stimulus delivered by central banks, had supported a modest improvement in the growth outlook for a number of economies. Global manufacturing and trade indicators, notably export orders, had continued to show signs of stabilising in late 2019.”*

Lowe also raised awareness of the coronavirus epidemic as *“it was a new source of uncertainty for the global economy”* and *“The economic effects would depend crucially on the persistence of the outbreak and measures taken to contain its spread.”*

But it was noted that *“previous outbreaks of new viruses had had significant but short lived negative effects on economic growth.”*

When considering the policy decision to keep the rate at 0.75% the members observed that despite the increased uncertainty around the coronavirus that *“The outlook for the Australian economy was for growth to improve, supported by a turnaround in mining investment and, further out, dwelling investment and consumption.”*

The minutes reinforce the wait and see approach in relation to COVID-19 that has been articulated by the RBA, the Federal Reserve and the RBNZ over the last few weeks. While underlying economic conditions imply a period of stability in monetary policy the emergence of COVID-19 now means that any surprise moves will be to the downside and in any case low rates look set to dominate for the foreseeable future

## Housing demand picking up

The housing market is off to a strong start in 2020 with January sales numbers at a four year high. Housing sales volumes were particularly strong in Auckland in January although prices remained around recent levels.

The Real Estate Institute of NZ says 1295 properties were sold in Auckland in January, up 9.7% compared to January last year and the highest number of sales in the month of January since 2016. Around the rest of the country excluding Auckland 3308 properties were sold in January, up 0.9% compared to January last year.

In its latest review of the housing market Westpac bank projected increases of 10% this year. With National proposing to lift restrictions on foreign purchasers’ things could get even more inflated next year.

Despite an underlying improvement in the local economy over recent months. the global ‘risk off’ sentiment continues to batter the NZD. Lower prices at the GlobalDairyTrade auction overnight also took their toll. The overall index fell 2.9%, taking the total reduction over the past two auctions to 7.6% in US dollar terms.

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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	71.27					<b>CAD</b>	0.8461 0.8862
NZD/USD	0.6382	0.0002	0.0007	0.0012	0.0017	<b>CHF</b>	0.6270 0.6567
NZD/AUD	0.9548	-0.0002	-0.0007	-0.0015	-0.0034	<b>CNY</b>	4.4655 4.6769
NZD/JPY	70.10	-0.09	-0.27	-0.55	-1.15	<b>DKK</b>	4.4140 4.6230
NZD/EUR	0.5909	-0.0008	-0.0026	-0.0053	-0.0109	<b>FJD</b>	1.4030 1.4694
NZD/GBP	0.4910	-0.0002	-0.0007	-0.0014	-0.0030	<b>HKD</b>	4.9578 5.1924
						<b>KRW</b>	760.25 796.24
AU TWI	58.30					<b>MYR</b>	2.6603 2.7862
AUD/USD	0.6684	0.0004	0.0012	0.0023	0.0042	<b>NOK</b>	5.9495 6.2311
AUD/NZD	1.0473	0.0003	0.0008	0.0016	0.0038	<b>SEK</b>	6.2412 6.5367
AUD/JPY	73.42	-0.08	-0.23	-0.46	-0.94	<b>SGD</b>	0.8888 0.9308
AUD/EUR	0.6188	-0.0007	-0.0023	-0.0046	-0.0092	<b>TWD</b>	19.22 20.13
AUD/GBP	0.5142	-0.0001	-0.0003	-0.0006	-0.0013	<b>ZAR</b>	9.5954 10.0496
USD Index	99.40						
EUR/USD	1.0800	0.0019	0.0060	0.0118	0.0233	<b>EQUITIES</b>	
USD/JPY	109.85	-0.18	-0.54	-1.06	-2.09		<b>Index</b>
GBP/USD	1.2999	0.0010	0.0031	0.0060	0.0115	<b>NZX50</b>	11,936
EUR/GBP	0.8309	0.0008	0.0026	0.0052	0.0105	<b>ASX200</b>	7,114
						<b>Dow Jones</b>	29,176
						<b>S&amp;P 500</b>	3,367
						<b>FTSE100</b>	7,382
						<b>DAX 30</b>	13,681
						<b>Nikkei</b>	23,194
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	55.70
						<b>Brent Crude</b>	57.45
						<b>Gold</b>	1,600.92
						<b>Silver</b>	18.16
						<b>CRB Index</b>	184.11

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.14%	1.10%	0.82%	0.80%
90 day bank bills	1.20%	1.16%	0.92%	0.88%
FRA 90d in 3mths	1.14%	1.11%	0.81%	0.76%
FRA 180d in 6mths	1.13%	1.10%	0.77%	0.73%
1 year swap*	1.13%	1.09%	0.77%	0.75%
2 year swap*	1.11%	1.09%	0.72%	0.71%
3 year swap*	1.12%	1.10%	0.72%	0.71%
5 year swap*	1.18%	1.16%	0.87%	0.86%
10 year swap*	1.47%	1.44%	1.15%	1.14%
10 year Govt bond		1.31%		1.03%

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

SOURCE: Bloomberg

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