



MARKET ALERT

Friday 13 December 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6584	0.0017
NZD/AUD	0.9553	-0.0017
NZD/JPY	71.93	-0.62
NZD/EUR	0.5926	-0.0056
NZD/GBP	0.5031	-0.0015
NZD/CNH	4.5945	0.0367
AUD/USD	0.6892	0.0029
AUD/EUR	0.6203	-0.0048
EUR/USD	1.1110	0.0134
USD/CNH	6.9790	0.0382
GBP/USD	1.3085	0.0073
EUR/GBP	0.8491	0.0055

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.19%	0.89%
2 year swap	1.20%	0.74%
10 year Govt	1.51%	1.13%

Trump stirs trade hopes

Donald Trump tweeted overnight “Getting VERY close to a BIG DEAL with China. They want it, and so do we [sic].”

His tweet followed reports that the US has offered to soften the tariffs that take effect on Sunday, provided China commits to purchase large quantities of US agricultural and other products, better protects US intellectual property rights and allows greater US access to China’s financial services sector. The only official comment from China was that

“trade teams from both sides are maintaining close communications.”

Markets quickly shifted to ‘risk on’ that saw stockmarkets, Treasury yields, oil prices, the yuan and commodity and risk currencies rise while the usual safe haven assets — JPY, CHF and gold — fell.

ECB neutral with a hint of easier

Trump’s comments came soon after the ECB’s Governing Council announced that it had kept its key interest rates unchanged at yesterday’s meeting.

The ECB’s wants to wait and see the effects of recent policy easings, but its stance was not as neutral as most other central banks. It still sees *“continued muted inflation pressures and weak euro area growth dynamics”* and *“the risks surrounding the euro area growth outlook, related to geopolitical factors, rising protectionism and vulnerabilities in emerging markets, remain tilted to the downside but they have become somewhat less pronounced.”*

The ECB announcement was preceded by news that Eurozone industrial production fell 0.5% in October and 2.2% over the year, worse than September’s 0.1% and 1.85% falls respectively. The data and the ECB’s worried outlook caused the EUR to weaken and then lag others in the “risk on” moves after Trumps’ tweet.

The three dollar commodity amigos

Prominent in the rise against the USD were the AUD, NZD and CAD. Those three currencies stood out because of their grouping as dollar commodity currencies (and therefore sensitive to strong US and Chinese growth), their respective central banks’ positive outlook and steady monetary policy stance, and respective governments’ fiscal loosening promises.

The AUD/USD rose above 0.6900 for the first time in five weeks and starts today just below there. The NZD/USD trailed the AUD/USD but still hit 0.6600 for the first time since July and starts today just below that level. Although lagging the AUD and NZD yesterday, other currencies made even more significant longer term highs against the USD — the CHF a three month high, the SEK a four month high and the GBP an eight month high. The CHF and GBP subsequently gave back recent gains.

With Trump’s hints of progress on the US/China trade talks and the Fed and ECB out of the way, all attention now moves to the UK election. The polls close at 22.00 GMT -11.00am in New Zealand, 9.00am in Sydney and Melbourne — after which UK news outlets will publish an exit poll. The GBP/USD dropped more than a cent yesterday due to last minute jitters about the size of the Conservative majority predicted by opinion polls.

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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	72.63					CAD	0.8679	0.9086
NZD/USD	0.6584	0.0003	0.0009	0.0017	0.0028	CHF	0.6492	0.6796
NZD/AUD	0.9553	-0.0002	-0.0007	-0.0017	-0.0038	CNY	4.5984	4.8138
NZD/JPY	71.93	-0.16	-0.33	-0.62	-1.22	DKK	4.4282	4.6356
NZD/EUR	0.5926	-0.0012	-0.0029	-0.0056	-0.0110	FJD	1.4271	1.4940
NZD/GBP	0.5031	-0.0004	-0.0009	-0.0015	-0.0029	HKD	5.1383	5.3790
						KRW	773.85	810.10
AU TWI	59.60					MYR	2.7382	2.8664
AUD/USD	0.6892	0.0005	0.0014	0.0029	0.0057	NOK	5.9907	6.2713
AUD/NZD	1.0468	0.0003	0.0008	0.0018	0.0042	SEK	6.1942	6.4844
AUD/JPY	75.30	-0.14	-0.29	-0.52	-0.98	SGD	0.8930	0.9348
AUD/EUR	0.6203	-0.0011	-0.0026	-0.0048	-0.0091	TWD	19.90	20.84
AUD/GBP	0.5267	-0.0003	-0.0005	-0.0007	-0.0009	ZAR	9.5936	10.0430
USD Index	97.46							
EUR/USD	1.1110	0.0028	0.0070	0.0134	0.0258	EQUITIES		
USD/JPY	109.27	-0.29	-0.66	-1.22	-2.30			Index
GBP/USD	1.3085	0.0018	0.0040	0.0073	0.0131	NZX50		11,308
EUR/GBP	0.8491	0.0010	0.0027	0.0055	0.0111	ASX200		6,709
						Dow Jones		28,056
						S&P 500		3,158
						FTSE100		7,273
						DAX 30		13,222
						Nikkei		23,425
						COMMODITIES		
								USD
						Dubai Light		63.92
						Brent Crude		64.43
						Gold		1,467.78
						Silver		16.89
						CRB Index		193.60
INTEREST RATES		New Zealand		Australia				
		Borrow	Invest	Borrow	Invest			
30 day bank bills		1.20%	1.16%	0.85%	0.83%			
90 day bank bills		1.21%	1.17%	0.91%	0.87%			
FRA 90d in 3mths		1.21%	1.18%	0.79%	0.74%			
FRA 180d in 6mths		1.18%	1.15%	0.80%	0.76%			
1 year swap*		1.19%	1.16%	0.76%	0.75%			
2 year swap*		1.21%	1.19%	0.74%	0.73%			
3 year swap*		1.25%	1.22%	0.79%	0.79%			
5 year swap*		1.34%	1.31%	1.01%	1.01%			
10 year swap*		1.65%	1.62%	1.36%	1.36%			
10 year Govt bond			1.49%		1.13%			

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

SOURCE: Bloomberg

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