



# MARKET ALERT

Monday 10 June 2019 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6663	0.0020
NZD/AUD	0.9508	-0.0011
NZD/JPY	72.36	-0.73
NZD/EUR	0.5888	-0.0064
NZD/GBP	0.5234	-0.0024
NZD/CNH	4.6277	0.0268
AUD/USD	0.7010	0.0029
AUD/EUR	0.6195	-0.0060
EUR/USD	1.1316	0.0159
USD/CNH	6.9453	0.0194
GBP/USD	1.2731	0.0097
EUR/GBP	0.8888	0.0056

  

INT RATES	NZ	Australia
OCR/Cash	1.50%	1.25%
90 day bills	1.63%	1.37%
2 year swap	1.42%	1.12%
10 year Govt	1.70%	1.47%

## Weak US jobs data stuns markets

The USD and Treasury yields fell on Friday after weaker than expected US jobs data. The US added 75,000 non-farm jobs in May, well short of consensus for 180,000 jobs. Compounding that shortfall, the previous two months' payrolls gains were revised down by a total of 75,000. The data was not all bad news – both the unemployment and participation rates were unchanged at 3.9% and 62.8% respectively, as expected. Despite the low unemployment rate, wage

growth remains subdued. Average hourly earnings rose 3.1% over the May year, short of consensus for 3.2%, and seem to be settling just above 3.0%.

The disappointing jobs numbers fuelled worries about the effects of the drawn out US-China trade dispute on US and global economic growth and reminded markets of a number of recent comments from Fed officials that seemingly opened the door for more Fed rate cuts. News that the US and Mexico have agreed a deal and that the US tariffs scheduled to take effect today have been “*indefinitely suspended*” according to Donald Trump, provided only fleeting relief to the markets' worries.

While few expect the Fed to cut at this month's meeting (on 19 June), the likelihood of a rate cut in July jumped to 94%, with further cuts fully priced in for October this year and March next year, i.e. three Fed rate cuts in the next 12 months are fully priced in.

The benchmark 10 year Treasury yield dropped to 2.05%, its lowest since September 2017 before crawling back to close at 2.08%, a net 5 bps fall over the week. Shorter Treasury yields fell but not to the same extent as the 10 year yield. The spread between the 3 month and 10 year Treasury yields, the Fed's preferred yield curve measure, is now negative 18 bps and is worrying for markets because of its potential as a recession precursor.

The markets' increased confidence in Fed rate cuts and the lower Treasury yields should give local swap rates another nudge lower at today's open and further embolden markets on both sides of the Tasman about expectations for central bank rate cuts.

The weaker USD pushed up the NZD/USD and AUD/USD to peaks of 0.6680 and 0.7022 respectively. Significantly, they both start today not far below those peaks, with the AUD/USD notably still above 0.7000. The NZD remains the better performer, with the NZD/AUD back above 0.9500. The GBP was at the back of the non-USD pack, suffering after Theresa May's resignation as head of the Conservative Party took effect.

## Australia's strong trade data

Australia's trade surplus fell slightly from AUD4.89 billion in March to AUD4.87 billion in April. The decrease was due to imports increasing 3%, largely driven by consumption and capitals goods. Exports rose 2%, with metal ores and minerals up 16%.

The trade surplus has narrowed marginally for the last two months but April's trade surplus was still the third largest ever recorded. Despite the slight deterioration, the numbers prove that Australia's export economy is still performing strongly and adds another leg of support to the AUD.

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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	73.24					<b>CAD</b>	0.8831 0.9288
NZD/USD	0.6663	0.0004	0.0012	0.0020	0.0031	<b>CHF</b>	0.6584 0.6924
NZD/AUD	0.9508	-0.0002	-0.0005	-0.0011	-0.0021	<b>CNY</b>	4.6116 4.8502
NZD/JPY	72.36	-0.13	-0.37	-0.73	-1.47	<b>DKK</b>	4.3975 4.6251
NZD/EUR	0.5888	-0.0011	-0.0033	-0.0064	-0.0126	<b>FJD</b>	1.4360 1.5103
NZD/GBP	0.5234	-0.0005	-0.0013	-0.0024	-0.0046	<b>HKD</b>	5.2242 5.4945
						<b>KRW</b>	787.73 828.50
AU TWI	60.20					<b>MYR</b>	2.7549 2.8975
AUD/USD	0.7010	0.0005	0.0016	0.0029	0.0049	<b>NOK</b>	5.7511 6.0487
AUD/NZD	1.0517	0.0002	0.0006	0.0013	0.0024	<b>SEK</b>	6.2717 6.5962
AUD/JPY	76.13	-0.13	-0.34	-0.68	-1.38	<b>SGD</b>	0.9079 0.9549
AUD/EUR	0.6195	-0.0011	-0.0031	-0.0060	-0.0119	<b>TWD</b>	20.90 21.98
AUD/GBP	0.5506	-0.0004	-0.0010	-0.0019	-0.0036	<b>ZAR</b>	9.9443 10.4589
USD Index	96.54						
EUR/USD	1.1316	0.0028	0.0084	0.0159	0.0303	<b>EQUITIES</b>	
USD/JPY	108.61	-0.26	-0.74	-1.41	-2.70		<b>Index</b>
GBP/USD	1.2731	0.0019	0.0054	0.0097	0.0172	<b>NZX50</b>	10,048
EUR/GBP	0.8888	0.0009	0.0028	0.0056	0.0116	<b>ASX200</b>	6,444
						<b>Dow Jones</b>	25,984
						<b>S&amp;P 500</b>	2,873
						<b>FTSE100</b>	7,332
						<b>DAX 30</b>	12,045
						<b>Nikkei</b>	20,885
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	61.42
						<b>Brent Crude</b>	63.29
						<b>Gold</b>	1,340.75
						<b>Silver</b>	15.01
						<b>CRB Index</b>	182.65

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.69%	1.65%	1.39%	1.37%
90 day bank bills	1.66%	1.62%	1.39%	1.35%
FRA 90d in 3mths	1.51%	1.43%	1.18%	1.13%
FRA 180d in 6mths	1.40%	1.37%	1.18%	1.14%
1 year swap*	1.47%	1.43%	1.21%	1.19%
2 year swap*	1.43%	1.41%	1.12%	1.11%
3 year swap*	1.45%	1.42%	1.14%	1.12%
5 year swap*	1.56%	1.53%	1.35%	1.34%
10 year swap*	1.94%	1.91%	1.70%	1.69%
10 year Govt bond		1.68%		1.47%

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

SOURCE: Bloomberg

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