



# MARKET ALERT

Tuesday 11 June 2019 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6612	0.0021
NZD/AUD	0.9498	-0.0011
NZD/JPY	71.69	-0.72
NZD/EUR	0.5841	-0.0063
NZD/GBP	0.5208	-0.0024
NZD/CNH	4.5902	0.0295
AUD/USD	0.6963	0.0030
AUD/EUR	0.6151	-0.0059
EUR/USD	1.1319	0.0159
USD/CNH	6.9424	0.0228
GBP/USD	1.2696	0.0097
EUR/GBP	0.8915	0.0057

  

INT RATES	NZ	Australia
OCR/Cash	1.50%	1.25%
90 day bills	1.62%	1.37%
2 year swap	1.42%	1.15%
10 year Govt	1.73%	1.47%

## Brexit hangover for the UK

UK's trade deficit fell from GBP6.2 billion in March to GBP2.7 billion in April as a result of falling fuel imports. However, the devil is in the detail. April's trade numbers indicate that the trade deficit is narrowing but exports fell by 8.4% in April and imports fell 12.7%, which, together with industrial production and GDP data overnight, revealed a more worrying problem.

UK industrial production fell 2.7% in April and was down 1.0% over the year. The main cause of April's fall was a 3.9% drop in manufacturing activity,

the biggest monthly drop since 2002 due to a 13.4% fall in the output of cars, trailers and accessories.

UK GDP fell 0.4% in April, its biggest monthly contraction since 2016. April's fall followed a 0.1% contraction in March although GDP managed a 0.5% gain over the three months to April.

The poor UK industrial production and GDP data is not a great start for the June quarter especially with the UK staring down the barrel of an abrupt and messy Brexit. Not surprisingly, the pound was lower.

## Treasury reasonably upbeat

New Zealand's Treasury released its monthly economic indicators for May, which painted a relatively upbeat picture of the economy but highlighted the trade tensions as a risk. It also noted the cut in both the RBNZ and RBA cash rates.

Treasury detailed the Wellbeing Budget that was released by the Government in May, with new operating spending of NZD15.2 billion and net new capital expenditure of NZD10.4 billion over the forecast period compared to Budget 2018. Treasury is forecasting "real GDP growth to average 2.6% per year across the forecast period to June 2023 while the unemployment rate is expected to decline to 4.0% in 2020 before gradually rising to 4.3% by 2023". Treasury, like the RBNZ, expects a tight labour market to support wage growth and lift household spending.

Treasury also highlighted the "strength in retail sales carried through to the March quarter, with sales volumes increasing 0.7% in the quarter, following a 1.8% increase in December, and 3.3% over the year", calling the growth "broad-based".

The fall in Auckland house prices was noted, "4.4% down over the year to April," but that "national house prices[were] up 1.3% on April last year."

The slight lift in the business confidence own activity survey was noted, but "consumer confidence fell slightly in May, although it remains close to its historical average level."

Treasury emphasised the escalation in international trade tensions and that "trade tensions have weakened growth in many Asian economies over the first quarter of 2019 and continue to weigh on economic activity in both the US, China and Asia".

The NZD/USD traded lower following the release, although that was due mostly to a slight USD resurgence as markets expressed relief that the US has "indefinitely postponed" trade tariffs on Mexican imports.

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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	72.81					<b>CAD</b>	0.8772 0.9236
NZD/USD	0.6612	0.0004	0.0012	0.0021	0.0035	<b>CHF</b>	0.6542 0.6887
NZD/AUD	0.9498	-0.0002	-0.0006	-0.0011	-0.0018	<b>CNY</b>	4.5829 4.8251
NZD/JPY	71.69	-0.13	-0.37	-0.72	-1.44	<b>DKK</b>	4.3630 4.5935
NZD/EUR	0.5841	-0.0011	-0.0033	-0.0063	-0.0124	<b>FJD</b>	1.4203 1.4953
NZD/GBP	0.5208	-0.0005	-0.0013	-0.0024	-0.0044	<b>HKD</b>	5.1855 5.4596
						<b>KRW</b>	783.22 824.62
AU TWI	60.20					<b>MYR</b>	2.7560 2.9016
AUD/USD	0.6963	0.0006	0.0016	0.0030	0.0050	<b>NOK</b>	5.7202 6.0225
AUD/NZD	1.0529	0.0002	0.0006	0.0012	0.0020	<b>SEK</b>	6.2258 6.5549
AUD/JPY	75.50	-0.12	-0.35	-0.67	-1.37	<b>SGD</b>	0.9030 0.9507
AUD/EUR	0.6151	-0.0011	-0.0031	-0.0059	-0.0120	<b>TWD</b>	20.76 21.86
AUD/GBP	0.5484	-0.0004	-0.0010	-0.0018	-0.0036	<b>ZAR</b>	9.7937 10.3113
USD Index	96.74						
EUR/USD	1.1319	0.0029	0.0084	0.0159	0.0307	<b>EQUITIES</b>	
USD/JPY	108.44	-0.26	-0.75	-1.42	-2.73		<b>Index</b>
GBP/USD	1.2696	0.0019	0.0054	0.0097	0.0175	<b>NZX50</b>	10,028
EUR/GBP	0.8915	0.0009	0.0028	0.0057	0.0118	<b>ASX200</b>	6,444
						<b>Dow Jones</b>	26,071
						<b>S&amp;P 500</b>	2,888
						<b>FTSE100</b>	7,376
						<b>DAX 30</b>	12,045
						<b>Nikkei</b>	21,134
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	61.47
						<b>Brent Crude</b>	62.34
						<b>Gold</b>	1,328.46
						<b>Silver</b>	14.71
						<b>CRB Index</b>	182.32

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.68%	1.65%	1.39%	1.37%
90 day bank bills	1.64%	1.61%	1.39%	1.35%
FRA 90d in 3mths	1.49%	1.46%	1.21%	1.16%
FRA 180d in 6mths	1.39%	1.37%	1.22%	1.18%
1 year swap*	1.49%	1.46%	1.21%	1.20%
2 year swap*	1.43%	1.40%	1.15%	1.14%
3 year swap*	1.45%	1.42%	1.17%	1.15%
5 year swap*	1.56%	1.53%	1.38%	1.37%
10 year swap*	1.94%	1.91%	1.75%	1.74%
10 year Govt bond		1.72%		1.47%

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

SOURCE: Bloomberg

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