



MARKET ALERT

Wednesday 12 June 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6583	0.0022
NZD/AUD	0.9458	-0.0010
NZD/JPY	71.41	-0.71
NZD/EUR	0.5811	-0.0062
NZD/GBP	0.5174	-0.0022
NZD/CNH	4.5587	0.0312
AUD/USD	0.6960	0.0030
AUD/EUR	0.6144	-0.0059
EUR/USD	1.1328	0.0160
USD/CNH	6.9252	0.0247
GBP/USD	1.2723	0.0097
EUR/GBP	0.8904	0.0057

INT RATES	NZ	Australia
OCR/Cash	1.50%	1.25%
90 day bills	1.61%	1.36%
2 year swap	1.42%	1.13%
10 year Govt	1.73%	1.45%

NZD turns scapegoat

The NZD, after having a stellar time as the top performer last week especially against the USD, has retraced more than half of that move after the USD managed to find a firm footing and markets again became nervous about the US-China trade dispute.

Donald Trump held a press conference overnight to update the world on the progress of a trade deal with China, in which he said that *“it is me right now that is holding up the deal.”* Trump made it clear that he will not agree to any deal

with China unless the Chinese return to terms negotiated earlier in the year.

“China wants to make a deal very badly” Trump said, in his usual lexicon. That may be true, but the irony of that statement is that Trump has tied his own performance to the US economy and the stockmarkets, which have made it clear they do not like his brinkmanship style of ‘negotiating’. If a trade deal is not done with China, the US economy could well suffer, and Trump with it.

Trump has promised to impose tariffs of 25% on USD300 billion of Chinese goods or *“much higher than 25%”* if President Xi does not meet with him at the upcoming G20 summit. Earlier this week, Trump threatened that *“if we don’t make a deal, you’ll see a tariff increase.”*

The risk that a US-China trade deal will not be done saw markets take a risk off approach, selling the NZD/USD down as low as 0.6569 and the AUD/USD as low as 0.6947 overnight, with the NZD the gigger loser.

Some minor US data gave the USD a slight added lift, increasing the pressure on the NZD. Headline US PPI came in as expected at 0.1% for May, down from 0.2% in April. Core PPI also met expectations, up 0.2% from April. Core PPI was up 2.3% in the year to May, hinting that US inflation will hold up over the 2.0% mark.

Strong UK data despite contraction

UK’s unemployment rate remained at its 50 year low of 3.8% in April, despite the UK’s economy shrinking 0.4% in the same month. The stability of unemployment comes from more women in work with the employment rate for women being 72%, its highest on record; while male employment fell narrowing, but still around the 80% mark.

Despite the strong labour market, Tej Parikh, Chief Economist at the UK’s Institute of Directors said *“the employment boom cannot last forever, and it’s certainly showing signs of softening.”*

Wage growth beat market expectations in the three months from February to April as pay rose 3.4% compared to a year ago. This pay surge has bolstered the case for a BoE Bank Rate rise, which goes against the dovish tone of global central banks. The GBP rallied against all of its crosses after the strong labour data. The NZDGBP fell to 0.5147.



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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	72.40					CAD	0.8745 0.9246
NZD/USD	0.6583	0.0004	0.0012	0.0022	0.0036	CHF	0.6530 0.6904
NZD/AUD	0.9458	-0.0002	-0.0005	-0.0010	-0.0019	CNY	4.5494 4.8101
NZD/JPY	71.41	-0.14	-0.37	-0.71	-1.44	DKK	4.3399 4.5886
NZD/EUR	0.5811	-0.0012	-0.0032	-0.0062	-0.0124	FJD	1.4192 1.5006
NZD/GBP	0.5174	-0.0005	-0.0012	-0.0022	-0.0042	HKD	5.1591 5.4547
						KRW	776.37 820.86
AU TWI	60.00					MYR	2.7443 2.9016
AUD/USD	0.6960	0.0006	0.0016	0.0030	0.0052	NOK	5.6807 6.0062
AUD/NZD	1.0573	0.0002	0.0006	0.0012	0.0021	SEK	6.2211 6.5776
AUD/JPY	75.52	-0.14	-0.35	-0.67	-1.38	SGD	0.8978 0.9492
AUD/EUR	0.6144	-0.0011	-0.0031	-0.0059	-0.0119	TWD	20.66 21.84
AUD/GBP	0.5471	-0.0004	-0.0010	-0.0018	-0.0034	ZAR	9.6595 10.2130
USD Index	96.72						
EUR/USD	1.1328	0.0030	0.0084	0.0160	0.0311	EQUITIES	
USD/JPY	108.50	-0.29	-0.75	-1.43	-2.78		Index
GBP/USD	1.2723	0.0020	0.0054	0.0097	0.0175	NZX50	10,139
EUR/GBP	0.8904	0.0010	0.0028	0.0057	0.0121	ASX200	6,546
						Dow Jones	26,051
						S&P 500	2,886
						FTSE100	7,398
						DAX 30	12,156
						Nikkei	21,204
						COMMODITIES	
							USD
						Dubai Light	60.77
						Brent Crude	62.30
						Gold	1,326.39
						Silver	14.75
						CRB Index	183.17

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.68%	1.65%	1.38%	1.36%
90 day bank bills	1.64%	1.61%	1.38%	1.34%
FRA 90d in 3mths	1.50%	1.47%	1.19%	1.14%
FRA 180d in 6mths	1.42%	1.39%	1.20%	1.16%
1 year swap*	1.48%	1.45%	1.21%	1.18%
2 year swap*	1.43%	1.40%	1.13%	1.12%
3 year swap*	1.45%	1.42%	1.14%	1.14%
5 year swap*	1.56%	1.53%	1.36%	1.35%
10 year swap*	1.95%	1.92%	1.73%	1.71%
10 year Govt bond		1.71%		1.45%

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

SOURCE: Bloomberg

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