



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Thursday 13 June 2019 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6573	0.0021
NZD/AUD	0.9487	-0.0014
NZD/JPY	71.30	-0.71
NZD/EUR	0.5822	-0.0063
NZD/GBP	0.5180	-0.0022
NZD/CNH	4.5565	0.0335
AUD/USD	0.6928	0.0032
AUD/EUR	0.6137	-0.0058
EUR/USD	1.1289	0.0160
USD/CNH	6.9326	0.0286
GBP/USD	1.2689	0.0096
EUR/GBP	0.8897	0.0058

  

INT RATES	NZ	Australia
OCR/Cash	1.50%	1.25%
90 day bills	1.61%	1.35%
2 year swap	1.41%	1.10%
10 year Govt	1.71%	1.43%

## Migration and tourism remain strong

New Zealand's net inward migration remains dramatically solid for a country of just under 5 million people, as it reached 55,800 for the year ending April 2019; the biggest increase since August 2017 according to Stats NZ's latest estimates. The dominant demographics were the usual suspects – Australia, China and India. April saw a little under 5000 people hit our shores, which is up slightly from the revised March figure. However, these figures must be taken

with a grain of salt as it takes 16 months before migration estimates are finalised.

Overseas visitor arrivals (tourists) also increased, to 3.89 million for the April year, up by just shy of 100,000 people from April 2018. Key origins of visitors where Australia, China and the US.

Since 2014, net migration has been adding a net 48,000-64000 people per year and our visitor arrivals have been increasing substantially every year on record. This increases consumption within New Zealand and also increases demand for the NZD. However, it begs questions about New Zealand infrastructure and environmental investment if we are to sustain this migration and tourism boom.

## Inflation tame in China and the US

The US and China have more in common than their ongoing trade dispute. Both are experiencing tame underlying inflation.

China's CPI was flat in May but the annual rate rose to a 15 month high of 2.7%. However, the detail is worrying. Food prices rose 7.7% over the May year, up from 6.1% in April, with spectacular annual rises in the prices of fresh fruit and pork of 26.7% and 18.2% respectively. China's non-food CPI rose 1.6% in the May year, down from 1.7% in April.

Underlying and wholesale inflation in China is well below the government's 3.0% target for 2019, which leaves room for more fiscal and monetary policy stimulus.

US headline CPI rose 0.1% in May, down from 0.3% in April and matching market consensus. Similarly, the annual CPI rate eased by more than expected, 1.8% in May from 2.0% in April. The core CPI measure, which excludes food and energy, rose 0.1% in May, the same as in April, while the annual core CPI rate eased from 2.1% in April to 2.0% in May.

US CPI remains weak despite a strong labour market and a growing economy and will be a topic of discussion (again) at next week's FOMC meeting.

Markets took the weaker than expected US CPI data as endorsing the pricing of three Fed rate cuts over the next 12 months, which pushed down Treasury yields and the USD. However, the USD only gave back some of the gains seen earlier in the day and remains in demand on the back of safe-haven flows and ongoing trade tensions.

The NZD went from the biggest loser against the USD two days ago to the least loser yesterday. The NZD/USD held above 0.6570 despite a stronger USD and weaker AUD/USD and the NZD reclaimed some of its most recent days' falls against the rest.

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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	72.43					<b>CAD</b>	0.8767 0.9241
NZD/USD	0.6573	0.0004	0.0012	0.0021	0.0034	<b>CHF</b>	0.6542 0.6896
NZD/AUD	0.9487	-0.0002	-0.0008	-0.0014	-0.0025	<b>CNY</b>	4.5466 4.7925
NZD/JPY	71.30	-0.14	-0.37	-0.71	-1.44	<b>DKK</b>	4.3478 4.5829
NZD/EUR	0.5822	-0.0011	-0.0033	-0.0063	-0.0125	<b>FJD</b>	1.4182 1.4949
NZD/GBP	0.5180	-0.0005	-0.0013	-0.0022	-0.0042	<b>HKD</b>	5.1424 5.4204
						<b>KRW</b>	778.66 820.77
AU TWI	60.00					<b>MYR</b>	2.7381 2.8862
AUD/USD	0.6928	0.0006	0.0018	0.0032	0.0054	<b>NOK</b>	5.6944 6.0023
AUD/NZD	1.0541	0.0003	0.0008	0.0015	0.0027	<b>SEK</b>	6.2265 6.5632
AUD/JPY	75.17	-0.13	-0.33	-0.64	-1.33	<b>SGD</b>	0.8986 0.9471
AUD/EUR	0.6137	-0.0010	-0.0030	-0.0058	-0.0116	<b>TWD</b>	20.66 21.78
AUD/GBP	0.5460	-0.0003	-0.0009	-0.0016	-0.0030	<b>ZAR</b>	9.7834 10.3124
USD Index	97.00						
EUR/USD	1.1289	0.0029	0.0085	0.0160	0.0306	<b>EQUITIES</b>	
USD/JPY	108.51	-0.28	-0.76	-1.43	-2.74		<b>Index</b>
GBP/USD	1.2689	0.0019	0.0054	0.0096	0.0168	<b>NZX50</b>	10,205
EUR/GBP	0.8897	0.0009	0.0029	0.0058	0.0122	<b>ASX200</b>	6,544
						<b>Dow Jones</b>	26,007
						<b>S&amp;P 500</b>	2,878
						<b>FTSE100</b>	7,368
						<b>DAX 30</b>	12,116
						<b>Nikkei</b>	21,130
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	59.24
						<b>Brent Crude</b>	59.88
						<b>Gold</b>	1,332.81
						<b>Silver</b>	14.77
						<b>CRB Index</b>	181.48

  

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%	1.60%	1.37%	1.33%
FRA 90d in 3mths	1.50%	1.46%	1.17%	1.12%
FRA 180d in 6mths	1.38%	1.35%	1.17%	1.13%
1 year swap*	1.48%	1.45%	1.18%	1.17%
2 year swap*	1.43%	1.40%	1.11%	1.09%
3 year swap*	1.44%	1.41%	1.13%	1.11%
5 year swap*	1.55%	1.52%	1.34%	1.33%
10 year swap*	1.92%	1.89%	1.70%	1.67%
10 year Govt bond		1.69%		1.43%

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

SOURCE: Bloomberg

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