



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 7 June 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6620	0.0022
NZD/AUD	0.9493	-0.0008
NZD/JPY	71.83	-0.70
NZD/EUR	0.5873	-0.0062
NZD/GBP	0.5217	-0.0023
NZD/CNH	4.5862	0.0273
AUD/USD	0.6974	0.0029
AUD/EUR	0.6187	-0.0061
EUR/USD	1.1272	0.0159
USD/CNH	6.9275	0.0181
GBP/USD	1.2690	0.0098
EUR/GBP	0.8883	0.0056

INT RATES	NZ	Australia
OCR/Cash	1.50%	1.25%
90 day bills	1.63%	1.38%
2 year swap	1.41%	1.16%
10 year Govt	1.67%	1.47%

ECB keeps interest rates at record lows

The ECB left interest rates unchanged at -0.4% but, in line with the recent easing signals from around the world, signalled the next move is more likely down than up. The ECB signalled it will keep its key deposit rate at -0.4% until at least halfway through 2020 and are progressing another series of cheap loans to Eurozone banks to stimulate growth.

ECB President, Mario Draghi, noted that the central bank is ready to “use all the instruments that are in the tool

box” as “geopolitical uncertainties, rising protectionism threats, and vulnerabilities in emerging markets are leaving their mark on economic sentiment”. Draghi spoke about uncertainties related to trade disputes and multilateral order as he said “in March we might have hoped for a trade deal, now the situation is different”.

Futures markets in the Eurozone have been signalling a serious deflation warning for the region and ECB economists have downgraded their outlook for growth and inflation next year. The ECB now sees the eurozone economy expanding at 1.4% in 2020, compared with a March forecast of 1.6%.

This week the EUR/USD rose to a 7 week high of 1.1300 amidst a softening USD. The NZD/EUR lifted above 0.5900 overnight, a one month high.

Trade talk moves markets

US stocks rallied overnight on a report that the US would reportedly delay tariffs on Mexico. Stocks gave back some of the gains as another headline suggested that it’s possible the tariffs would still go into effect on Monday.

The US is considering delaying Trump’s threatened tariffs of 5% on all imports from Mexico as talks between the two continue. According to Mexican foreign minister Marcelo Ebrard, some “advances” were made in talks overnight but Mexico has pushed for more time to

negotiate. The US has suggested it may still impose the tariffs but could quickly remove them if Mexico take steps to crack down on illegal migration across the border. Following the talks, Trump tweeted “if no agreement is reached, Tariffs at the 5% level will begin on Monday”.

More volatility was seen as Trump suggested that the decision whether or not to impose 25% tariffs on all remaining Chinese goods would come “over the next two weeks, probably right after the G20”. While Trump said that talks with China were ongoing, no face-to-face meetings have been held since May 10.

The NZD/USD had another crack at 0.6640 overnight but failed to hold over that level, trading back closer to 0.6620. The AUD/USD could not get back to 0.7000 as it held around the middle of the range. The recent run up in both currencies, and the volatility, provides an opportunity for importers to increase cover levels that may have diminished with the prolonged period of currency weakness.

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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	72.84					CAD	0.8851 0.9324
NZD/USD	0.6620	0.0004	0.0012	0.0022	0.0036	CHF	0.6567 0.6918
NZD/AUD	0.9493	-0.0001	-0.0004	-0.0008	-0.0016	CNY	4.5745 4.8191
NZD/JPY	71.83	-0.13	-0.37	-0.70	-1.42	DKK	4.3861 4.6206
NZD/EUR	0.5873	-0.0011	-0.0032	-0.0062	-0.0123	FJD	1.4270 1.5033
NZD/GBP	0.5217	-0.0005	-0.0013	-0.0023	-0.0043	HKD	5.1902 5.4676
						KRW	780.41 822.13
AU TWI	60.20					MYR	2.7672 2.9151
AUD/USD	0.6974	0.0005	0.0016	0.0029	0.0050	NOK	5.7593 6.0672
AUD/NZD	1.0535	0.0001	0.0005	0.0009	0.0018	SEK	6.2399 6.5735
AUD/JPY	75.68	-0.13	-0.36	-0.68	-1.37	SGD	0.9034 0.9516
AUD/EUR	0.6187	-0.0011	-0.0031	-0.0061	-0.0120	TWD	20.73 21.83
AUD/GBP	0.5496	-0.0004	-0.0011	-0.0019	-0.0036	ZAR	9.9290 10.4598
USD Index	97.03						
EUR/USD	1.1272	0.0028	0.0083	0.0159	0.0305	EQUITIES	
USD/JPY	108.52	-0.26	-0.76	-1.42	-2.72		Index
GBP/USD	1.2690	0.0019	0.0054	0.0098	0.0177	NZX50	9,987
EUR/GBP	0.8883	0.0009	0.0028	0.0056	0.0115	ASX200	6,383
						Dow Jones	25,721
						S&P 500	2,848
						FTSE100	7,260
						DAX 30	11,953
						Nikkei	20,774
						COMMODITIES	
							USD
						Dubai Light	59.29
						Brent Crude	62.30
						Gold	1,333.79
						Silver	14.87
						CRB Index	182.06

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.67%	1.63%	1.39%	1.37%
90 day bank bills	1.65%	1.61%	1.40%	1.36%
FRA 90d in 3mths	1.51%	1.43%	1.21%	1.16%
FRA 180d in 6mths	1.39%	1.36%	1.21%	1.17%
1 year swap*	1.48%	1.45%	1.23%	1.21%
2 year swap*	1.43%	1.40%	1.18%	1.15%
3 year swap*	1.44%	1.41%	1.19%	1.16%
5 year swap*	1.56%	1.53%	1.40%	1.38%
10 year swap*	1.93%	1.91%	1.76%	1.73%
10 year Govt bond		1.66%		1.47%

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

SOURCE: Bloomberg

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