



MARKET ALERT

Wednesday 10 April 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6744	0.0024
NZD/AUD	0.9462	-0.0002
NZD/JPY	74.93	-0.81
NZD/EUR	0.5987	-0.0070
NZD/GBP	0.5166	-0.0028
NZD/CNH	4.5315	0.0196
AUD/USD	0.7128	0.0027
AUD/EUR	0.6327	-0.0072
EUR/USD	1.1265	0.0174
USD/CNH	6.7197	0.0048
GBP/USD	1.3054	0.0118
EUR/GBP	0.8629	0.0055

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.81%	1.71%
2 year swap	1.66%	1.49%
10 year Govt	2.01%	1.90%

IMF cuts global growth forecast

In its latest quarterly World Economic Outlook, the IMF (again) lowered its growth forecasts. It cut its 2019 global economic growth forecast to 3.3% (the slowest since the GFC), from 3.5% in January and 3.7% in October.

Its forecasts for 2019 for the Middle East have been cut by 0.9%, for Latin America by 0.6%, for Germany, Italy and Mexico by 0.5%, for Canada by 0.4%, for the UK by 0.3%.

The US, which recorded GDP growth of 2.8% in 2018, is forecast to grow by

2.3% in 2019 and 1.9% in 2020. China’s growth is expected to fall from 6.6% in 2018 to 6.3% in 2019 and 6.1% in 2020. Buckling the global trend are India, which grew by 7.1% in 2018 and is forecast to grow by 7.3% in 2019 and 7.5% in 2020, and Brazil, which grew by 1.1% in 2018 and is forecast to grow by 2.1% in 2019 and 2.5% in 2020.

Why? *“The escalation of US–China trade tensions, needed credit tightening in China, macroeconomic stress in Argentina and Turkey, disruptions to the auto sector in Germany, and financial tightening alongside the normalization of monetary policy in the larger advanced economies.”*

The IMF noted that world trade (normally about 5.0% annually), grew by 3.8% in 2018 and is forecast to grow by 3.4% this year, 0.6% lower than its January forecast.

Despite the growth downgrades, the IMF still sees global growth picking up later in 2019 to 3.6% in 2020, mainly because *“the US Federal Reserve, the European Central Bank, the Bank of Japan, and the Bank of England have all shifted to a more accommodative stance. China has ramped up its fiscal and monetary stimulus to counter the negative effect of trade tariffs. Furthermore, the outlook for US–China trade tensions has improved as the prospects of a trade agreement take shape.”* It also forecast *“beyond 2020, global growth is expected to stabilize at around 3½ percent, bolstered mainly by growth in China and India and their increasing weights in world income.”*

The IMF added to the weight of recent cautious central bank comments by warning *“this is a delicate moment for the global economy. If the downside risks do not materialize and the policy support put in place is effective, global growth should rebound. If, however, any of the major risks materialize, then the expected recoveries in stressed economies, export-dependent economies, and highly-indebted economies may be derailed. In that case, policymakers will need to adjust.”*

US targets EU

The Trump administration has threatened to levy tariffs on USD11 billion of imports from the EU in response to the EU’s proposed subsidies for Airbus. The US and EU have been litigating this issue at the WTO for 14 years. Not surprisingly, the US plans to place tariffs on Airbus imports in addition to a range of non-aviation goods from cheese to bicycles to kitchen knives to artists’ brushes.

Market response was to shift funds to the usual safe havens — the yen and government bonds. The NZD was relatively unscathed.

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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	73.31					CAD	0.8986 0.9496
NZD/USD	0.6744	0.0004	0.0012	0.0024	0.0048	CHF	0.6741 0.7124
NZD/AUD	0.9462	-0.0001	-0.0001	-0.0002	-0.0006	CNY	4.5264 4.7837
NZD/JPY	74.93	-0.15	-0.41	-0.81	-1.65	DKK	4.4695 4.7236
NZD/EUR	0.5987	-0.0013	-0.0036	-0.0070	-0.0138	FJD	1.4404 1.5223
NZD/GBP	0.5166	-0.0005	-0.0015	-0.0028	-0.0052	HKD	5.2883 5.5889
						KRW	769.44 813.19
AU TWI	61.00					MYR	2.7660 2.9232
AUD/USD	0.7128	0.0005	0.0013	0.0027	0.0056	NOK	5.7680 6.0959
AUD/NZD	1.0569	0.0001	0.0001	0.0003	0.0007	SEK	6.2411 6.5959
AUD/JPY	79.20	-0.15	-0.43	-0.84	-1.69	SGD	0.9128 0.9647
AUD/EUR	0.6327	-0.0013	-0.0037	-0.0072	-0.0142	TWD	20.79 21.98
AUD/GBP	0.5460	-0.0005	-0.0015	-0.0028	-0.0052	ZAR	9.4926 10.0323
USD Index	97.01					EQUITIES	
EUR/USD	1.1265	0.0031	0.0087	0.0174	0.0349		Index
USD/JPY	111.13	-0.28	-0.81	-1.60	-3.21	NZX50	9,787
GBP/USD	1.3054	0.0021	0.0060	0.0118	0.0228	ASX200	6,222
EUR/GBP	0.8629	0.0009	0.0027	0.0055	0.0115	Dow Jones	26,157
						S&P 500	2,878
						FTSE100	7,426
						DAX 30	11,851
						Nikkei	21,803
						COMMODITIES	
							USD
						Dubai Light	70.38
						Brent Crude	70.66
						Gold	1,303.84
						Silver	15.23
						CRB Index	196.70

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.87%	1.83%	1.72%	1.70%
90 day bank bills	1.83%	1.79%	1.73%	1.69%
FRA 90d in 3mths	1.75%	1.71%	1.59%	1.54%
FRA 180d in 6mths	1.63%	1.60%	1.59%	1.55%
1 year swap*	1.71%	1.68%	1.57%	1.55%
2 year swap*	1.67%	1.65%	1.50%	1.49%
3 year swap*	1.70%	1.67%	1.50%	1.50%
5 year swap*	1.85%	1.82%	1.75%	1.74%
10 year swap*	2.28%	2.25%	2.12%	2.11%
10 year Govt bond		2.00%		1.90%

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

SOURCE: Bloomberg

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