



MARKET ALERT

Friday 10 May 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6592	0.0026
NZD/AUD	0.9428	-0.0003
NZD/JPY	72.32	-0.75
NZD/EUR	0.5875	-0.0066
NZD/GBP	0.5065	-0.0025
NZD/CNH	4.5068	0.0285
AUD/USD	0.6992	0.0030
AUD/EUR	0.6232	-0.0067
EUR/USD	1.1219	0.0171
USD/CNH	6.8374	0.0163
GBP/USD	1.3015	0.0115
EUR/GBP	0.8620	0.0055

INT RATES	NZ	Australia
OCR/Cash	1.50%	1.50%
90 day bills	1.71%	1.65%
2 year swap	1.62%	1.38%
10 year Govt	1.83%	1.71%

Tame US inflation

The US PPI rose a tame 0.2% in April, below expectations for a 0.3% gain. The annual PPI rate in April was 2.2%, the same as in March. Core PPI, which excludes food, energy and trade margins, rose 0.4% in April and 2.2% over the year, up from 2.0% in the March year.

Weaker than expected PPI data and worries about the US-China trade talks, which resume later this morning our time, pushed down the USD and Treasury

yields and pushed up the gold price. The weaker USD lifted the NZD/USD and AUD/USD to just under key levels — 0.6600 and 0.7000 respectively.

Lower US trade deficit

The US trade deficit widened in March to USD50.2 billion, from USD49.3 billion in February. Imports were 1.1% higher, driven by a 14% rise in crude oil imports while exports were 1.0% higher, again driven by fuel exports. The detail behind the data is not positive for the US economy. Imports of capital goods were unchanged from February to March while imports of consumer goods were 1.2% lower. Exports of capital goods fell 1.1% from February to March, mainly due to a drop in civilian aircraft shipments because of problems at Boeing.

On a positive note, US exports of soybeans in March were 39% up from February, to USD1.9 billion and the US trade deficit with China fell to USD28.3 billion in March, its lowest since April 2016. The lower US trade deficit was the result of a 15% rise in US exports to China (to USD10.5 billion) and a 1.2% drop in imports from China (to USD38.8 billion).

The US trade data is timely because US-China trade talks are at a critical point and there's a risk that both sides could escalate tariffs if talks break down.

Chinese food prices up, lending down

Surging food prices was the driving force behind China's annual CPI, which crept from 2.3% in March to 2.5% in April. This has been the fastest annual rate in six months due to food prices rising 6.1%, all thanks too dramatic increases in the price of fresh vegetables and pork (due to swine flu), rising 17.4% and 14.4% respectfully. Still, domestic consumer demand is not looking flash as annual Core CPI, (that excludes the more volatile food and energy prices) fell from 1.8% in March to 1.7% in April.

China's annual PPI rose by more than expected, rising from 0.3% in March to 0.9% in April due to much higher prices for oil and ferrous metals.

In a worrying sign for economic growth, China's bank issued CNY1.02 trillion of new loans in April, down from CNY1.69 trillion in March and short of market predictions.

Total social financing, a broader measure of credit that includes non-bank lending, was CNY1.36 trillion in April, a sharp drop from CNY 2.86 trillion in March.

April's disappointing credit data raises the prospect that the Chinese economy has not yet found its bottom and raises the stakes for China in the US-China trade talks.

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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	72.37					CAD 0.8873	0.9411
NZD/USD	0.6592	0.0005	0.0013	0.0026	0.0048	CHF 0.6690	0.7096
NZD/AUD	0.9428	0.0000	0.0000	-0.0003	-0.0013	CNY 4.5001	4.7731
NZD/JPY	72.32	-0.12	-0.38	-0.75	-1.54	DKK 4.3865	4.6526
NZD/EUR	0.5875	-0.0011	-0.0033	-0.0066	-0.0131	FJD 1.4233	1.5096
NZD/GBP	0.5065	-0.0004	-0.0013	-0.0025	-0.0047	HKD 5.1725	5.4863
						KRW 777.13	824.28
AU TWI	60.10					MYR 2.7327	2.8985
AUD/USD	0.6992	0.0005	0.0014	0.0030	0.0060	NOK 5.7858	6.1368
AUD/NZD	1.0607	0.0000	0.0000	0.0004	0.0015	SEK 6.3608	6.7467
AUD/JPY	76.71	-0.13	-0.40	-0.77	-1.52	SGD 0.8992	0.9537
AUD/EUR	0.6232	-0.0012	-0.0035	-0.0067	-0.0130	TWD 20.42	21.66
AUD/GBP	0.5372	-0.0005	-0.0014	-0.0024	-0.0042	ZAR 9.4592	10.0330
USD Index	97.42						
EUR/USD	1.1219	0.0029	0.0086	0.0171	0.0338	EQUITIES	
USD/JPY	109.73	-0.26	-0.80	-1.56	-3.10		Index
GBP/USD	1.3015	0.0020	0.0060	0.0115	0.0216	NZX50	10,104
EUR/GBP	0.8620	0.0009	0.0027	0.0055	0.0115	ASX200	6,295
						Dow Jones	25,813
						S&P 500	2,870
						FTSE100	7,207
						DAX 30	11,974
						Nikkei	21,402
						COMMODITIES	
							USD
						Dubai Light	69.29
						Brent Crude	70.15
						Gold	1,283.87
						Silver	14.76
						CRB Index	187.10

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.69%	1.66%	1.68%	1.66%
90 day bank bills	1.73%	1.70%	1.67%	1.63%
FRA 90d in 3mths	1.65%	1.62%	1.46%	1.41%
FRA 180d in 6mths	1.60%	1.56%	1.46%	1.42%
1 year swap*	1.66%	1.63%	1.46%	1.44%
2 year swap*	1.63%	1.60%	1.39%	1.37%
3 year swap*	1.65%	1.62%	1.38%	1.37%
5 year swap*	1.76%	1.72%	1.62%	1.61%
10 year swap*	2.14%	2.11%	1.97%	1.96%
10 year Govt bond		1.81%		1.71%

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

SOURCE: Bloomberg

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