



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Thursday 11 April 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6760	0.0024
NZD/AUD	0.9430	-0.0003
NZD/JPY	74.99	-0.83
NZD/EUR	0.5997	-0.0072
NZD/GBP	0.5161	-0.0029
NZD/CNH	4.5413	0.0193
AUD/USD	0.7168	0.0027
AUD/EUR	0.6360	-0.0074
EUR/USD	1.1271	0.0176
USD/CNH	6.7188	0.0050
GBP/USD	1.3094	0.0119
EUR/GBP	0.8607	0.0056

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.82%	1.70%
2 year swap	1.68%	1.50%
10 year Govt	2.05%	1.87%

ECB more worried

At its meeting overnight, the ECB kept unchanged its interest rates and forward guidance on interest rates and bond purchases. It noted *“slower growth momentum extending into the current year,”* that *“global headwinds continue to weigh on euro area growth developments”* and that *“the persistence of uncertainties, related to geopolitical factors, the threat of protectionism and vulnerabilities in emerging markets, is leaving marks on economic sentiment.”*

It concluded that *“an ample degree of monetary accommodation is still necessary.”*

At the post meeting press conference, ECB President, Mario Draghi, repeated the ECB’s worries about the downside risks to both growth and inflation, noted weaker inflation expectations and bank lending, and repeated the ECB’s readiness to address weak Eurozone growth and inflation.

Draghi also said that the ECB will consider whether to mitigate the impact of the ECB’s negative interest rates on Eurozone banks. This is in response to longstanding complaints by European banks because they cannot pass on all the benefits from negative interest rates, thereby weakening the economic stimulus expected from negative interest rates.

The messages from the ECB and Draghi are not those of a central bank waiting to remove policy stimulus but rather one ready to do more. Not surprisingly, the euro fell although the EUR/USD rebounded on subsequent USD weakness.

US CPI and FOMC minutes

US CPI rose 0.4% in March, more than market expectations of 0.3% and its highest monthly rise in 14 months because of higher than expected fuel prices (the CPI’s energy prices component rose 3.5% in March).

Core CPI, which strips out the volatile food and energy components, rose 0.1% in March. On an annual basis, headline CPI was up 1.9% and core CPI was up 2.0%.

Even though core CPI is knocking on the Fed’s 2.0% target, the Fed prefers another CPI measure (the core PCE price deflator) that tends to track lower than the core CPI measure.

The minutes of the FOMC’s March meeting showed that officials remained relatively comfortable with the US economic outlook, though there were some concerns about weaker consumer spending, housing and business investment, and a more neutral Fed than markets are positioned for (a Fed rate cut within a year).

The minutes noted *“a majority of participants expected that the evolution of the economic outlook and risks to the outlook would likely warrant leaving the target range unchanged for the remainder of the year”* and that members’ view of the appropriate setting for interest rates *“could shift in either direction based on incoming data and other developments.”*

The continued lack of core US inflation pressures pushed down the USD and Treasury yields, reversing some of their rises on the euro’s post ECB meeting but then some of those falls were recovered after the release of the FOMC minutes.

When the dust had settled, the USD and Treasury yields were net lower, and the NZD/USD was higher, but the NZD/AUD had continued its creep lower because the AUD benefited more so from the weaker USD (again).

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

Thursday 11 April 2019 | www.bancorptreasury.com

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.36					CAD	0.9006	0.9550
NZD/USD	0.6760	0.0004	0.0011	0.0024	0.0047	CHF	0.6777	0.7186
NZD/AUD	0.9430	-0.0001	-0.0001	-0.0003	-0.0007	CNY	4.5391	4.8135
NZD/JPY	74.99	-0.14	-0.41	-0.83	-1.64	DKK	4.4775	4.7481
NZD/EUR	0.5997	-0.0013	-0.0036	-0.0072	-0.0139	FJD	1.4438	1.5311
NZD/GBP	0.5161	-0.0005	-0.0015	-0.0029	-0.0053	HKD	5.2969	5.6171
						KRW	769.02	815.51
AU TWI	61.00					MYR	2.7718	2.9393
AUD/USD	0.7168	0.0005	0.0013	0.0027	0.0055	NOK	5.7422	6.0893
AUD/NZD	1.0604	0.0001	0.0002	0.0003	0.0008	SEK	6.2621	6.6406
AUD/JPY	79.54	-0.14	-0.43	-0.85	-1.68	SGD	0.9139	0.9691
AUD/EUR	0.6360	-0.0013	-0.0037	-0.0074	-0.0143	TWD	20.84	22.10
AUD/GBP	0.5474	-0.0005	-0.0015	-0.0029	-0.0052	ZAR	9.4109	9.9797
USD Index	96.91							
EUR/USD	1.1271	0.0029	0.0087	0.0176	0.0347	EQUITIES		
USD/JPY	110.97	-0.27	-0.80	-1.61	-3.17		Index	
GBP/USD	1.3094	0.0021	0.0060	0.0119	0.0226	NZX50	9,708	
EUR/GBP	0.8607	0.0009	0.0027	0.0056	0.0115	ASX200	6,224	
						Dow Jones	26,134	
						S&P 500	2,888	
						FTSE100	7,422	
						DAX 30	11,906	
						Nikkei	21,688	
						COMMODITIES		
							USD	
						Dubai Light	70.19	
						Brent Crude	71.63	
						Gold	1,308.20	
						Silver	15.24	
						CRB Index	197.86	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.88%	1.85%	1.72%	1.70%
90 day bank bills	1.85%	1.82%	1.72%	1.68%
FRA 90d in 3mths	1.75%	1.72%	1.61%	1.56%
FRA 180d in 6mths	1.68%	1.65%	1.61%	1.57%
1 year swap*	1.72%	1.69%	1.58%	1.56%
2 year swap*	1.69%	1.66%	1.51%	1.49%
3 year swap*	1.71%	1.68%	1.51%	1.50%
5 year swap*	1.86%	1.83%	1.74%	1.73%
10 year swap*	2.28%	2.25%	2.10%	2.09%
10 year Govt bond		2.04%		1.87%

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

SOURCE: Bloomberg

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.