



MARKET ALERT

Monday 11 March 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6801	0.0023
NZD/AUD	0.9655	0.0005
NZD/JPY	75.56	-0.83
NZD/EUR	0.6049	-0.0072
NZD/GBP	0.5233	-0.0029
NZD/CNH	4.5774	0.0178
AUD/USD	0.7043	0.0021
AUD/EUR	0.6266	-0.0078
EUR/USD	1.1240	0.0174
USD/CNH	6.7314	0.0032
GBP/USD	1.2996	0.0117
EUR/GBP	0.8649	0.0056
INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.88%	1.86%
2 year swap	1.83%	1.69%

Weak US jobs data

The US added 20,000 non-farm jobs in February, well down on market expectations of 180,000 and the lowest monthly gain since September 2017. Disappointment at such a miss was more than offset by the other labour market data.

December and January jobs gains were revised up by 12,000. The unemployment rate fell from 4.0% to 3.8%, leap-frogging expectations for a fall to 3.9%. Yet the participation rate was unchanged at 63.2%. Also, furloughed workers returning to work after the government shutdown contributed to the lower unemployment rate.

Altogether, the data hinted that there have been fewer unemployed people than open jobs and there is an increasing threat of rising wages. Average hourly earnings rose 3.4% over the February year, the biggest rise since April 2009.

Markets reacted to the disappointing headline non-farm payrolls and pushed down the USD and Treasury yields. The NZD/USD and AUD/USD benefited from the weaker USD.

Much of those moves were reversed after a speech by Fed Chair, Jerome Powell, in which he stated *“with nothing in the outlook demanding an immediate policy response”* the Fed has *“adopted a patient, wait-and-see approach to considering any alteration in the stance of policy.”*

Powell also hinted at a change being considered to the Fed’s forward guidance and the FOMC members’ dot plot, or at least a change in the way it is communicated.

He talked up the dot plot by saying *“if properly understood, the dot plot can be a constructive element of comprehensive policy communication”* but *“we will need to find other ways to address the collateral confusion that sometimes surrounds the dots.”* Powell’s speech further heightened market anticipation for next week’s FOMC meeting on 20 January.

Brexit votes loom large

The UK parliament is treating itself to not one, but three Brexit votes this week. On 12 March (UK time) Parliament

will vote on the withdrawal agreement itself after a full day’s debate. Given that the deal is more or less the one that Parliament voted down just two months ago, it doesn’t look good. Last time this deal was voted down by a historic margin, Prime Minister, Theresa May, will have her work cut out this week.

If that vote is ‘Yes’ (unlikely), the UK will leave the EU on 29 March but things will stay broadly as they are until December 2020, while the two sides negotiate a permanent trade deal. If the vote is a ‘No’, Parliament moves on to the second vote.

On 13 March, Parliament will vote on whether to leave the EU without a deal. If MPs vote ‘Yes’ (unlikely), the UK will leave the EU on 29 March without a deal. Should cooler heads prevail and the vote is ‘No’, Parliament will get its third vote the next day.

The third vote will be whether to extend the Article 50 deadline or not. If we make it this far, ‘Yes’ is the likely outcome and Theresa May will need to go to Brussels, cap in hand, to ask for an extension. If it’s a ‘No’, the UK will leave the EU on 29 March without a deal.

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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	74.21					CAD	0.9125 0.9452
NZD/USD	0.6801	0.0004	0.0012	0.0023	0.0044	CHF	0.6860 0.7105
NZD/AUD	0.9655	0.0001	0.0004	0.0005	0.0001	CNY	4.5733 4.7369
NZD/JPY	75.56	-0.14	-0.42	-0.83	-1.73	DKK	4.5132 4.6747
NZD/EUR	0.6049	-0.0012	-0.0036	-0.0072	-0.0145	FJD	1.4609 1.5132
NZD/GBP	0.5233	-0.0005	-0.0014	-0.0029	-0.0056	HKD	5.3381 5.5291
						KRW	771.54 799.15
AU TWI	60.00					MYR	2.7701 2.8692
AUD/USD	0.7043	0.0003	0.0010	0.0021	0.0045	NOK	5.9433 6.1559
AUD/NZD	1.0358	-0.0001	-0.0004	-0.0005	-0.0001	SEK	6.4058 6.6350
AUD/JPY	78.25	-0.16	-0.46	-0.90	-1.80	SGD	0.9240 0.9571
AUD/EUR	0.6266	-0.0014	-0.0039	-0.0078	-0.0151	TWD	21.02 21.77
AUD/GBP	0.5420	-0.0006	-0.0017	-0.0032	-0.0059	ZAR	9.8186 10.1699
USD Index	97.31						
EUR/USD	1.1240	0.0030	0.0087	0.0174	0.0351	EQUITIES	
USD/JPY	111.11	-0.27	-0.81	-1.60	-3.25		Index
GBP/USD	1.2996	0.0021	0.0059	0.0117	0.0228	NZX50	9,440
EUR/GBP	0.8649	0.0009	0.0028	0.0056	0.0117	ASX200	6,204
						Dow Jones	25,450
						S&P 500	2,743
						FTSE100	7,104
						DAX 30	11,458
						Nikkei	21,026
						COMMODITIES	
							USD
						Dubai Light	65.94
						Brent Crude	65.74
						Gold	1,298.30
						Silver	15.34
						CRB Index	188.06

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.89%	1.85%	1.87%	1.85%
90 day bank bills	1.90%	1.86%	1.88%	1.84%
FRA 90d in 3mths	1.89%	1.86%	1.82%	1.77%
FRA 180d in 6mths	1.84%	1.81%	1.83%	1.79%
1 year swap*	1.88%	1.85%	1.77%	1.75%
2 year swap*	1.85%	1.82%	1.70%	1.68%
3 year swap*	1.86%	1.83%	1.70%	1.69%
5 year swap*	1.98%	1.95%	1.94%	1.93%
10 year swap*	2.38%	2.35%	2.26%	2.26%
10 year Govt bond		2.05%		2.03%

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

SOURCE: Bloomberg

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