



# MARKET ALERT

Monday 12 February 2018 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6 mths
NZD/USD	0.7246	-0.0006
NZD/AUD	0.9284	-0.0010
NZD/JPY	78.86	-1.02
NZD/EUR	0.5914	-0.0082
NZD/GBP	0.5244	-0.0045
NZD/CNH	4.5788	0.0464
AUD/USD	0.7805	0.0002
AUD/EUR	0.6370	-0.0082
EUR/USD	1.2252	0.0163
USD/CNH	6.3290	0.0693
GBP/USD	1.3814	0.0107
EUR/GBP	0.8870	0.0049

  

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.91%	1.76%
2 year swap	2.15%	1.99%
10 year Govt	2.95%	2.86%

## Shortest shutdown in US history

The US government recorded its shortest shutdown in history with just a nine hour funding lapse overnight Friday. However, it was so short that no workers were furloughed and government services were not disrupted. It was the second shutdown this year. It is the fifth temporary funding measure for the fiscal year that began 1 October 2017 and keeps the lights on until 23 March, giving lawmakers more time to write a full year Budget. The bill lifts the borrowing ceiling for another year.

Meanwhile, Trump is expected to introduce a Budget that will fund the government until the end of 2019.

The new spending bill will see increases in spending to the military and disaster relief, and is expected to see the deficit push past USD1 trillion annually and increased Treasuries issuance.

The generally accepted view of economists is to reduce deficits when the economy is performing at its best in a decade. However, the Republicans' view seems to differ.

One Republican, Senator Rand Paul attempted to block the bill by speaking on the Senate floor, bringing attention to the runaway spending. *"No one will read this bill. Nothing will be reformed. The waste will continue and government will keep taking your money, irresponsibly, and adding to a 20 trillion-dollar debt"* he said.

Trump's expected Budget has some optimistic assumptions regarding growth, assuming 3.2% next year, 3.0% in 2021, only tapering to 2.8% in 2026. The Budget also assumes very low interest rates, with the benchmark 10 year Treasury yield averaging 2.60% this year, a level the market looks to have left behind. The passing of the bill through Congress provided a positive and calming end to a troubled week.

## China inflation eases

China's CPI eased to 1.5% in January, in line with forecasts. The CPI had been

expected to cool from a 1.8% rise in December.

The producer price index ("PPI") rose 4.3% in January from a year earlier, its third month of slowing, from the previous month's rise of 4.9%, and a touch lower than market expectations of 4.4%.

Producer prices feed through into the prices that exporting customers pay so the softer PPI suggests China won't be passing on much inflation in the near term.

Mining, raw materials and manufacturing PPI slowed, while food declined 0.5% year on year and non-food CPI rose 2.0%, moderating. Modest CPI helps maintain buying power, but slowing PPI shaves industrial profits and impairs firms' ability to service debt.

This data could support the view that China's growth is starting to lose momentum, perhaps at least last year's strong profit growth in the industrial sector may start to fade.

However, volatile food prices, rising demand for commodities and solid exports still show room for upward price pressures.

Data from China early in the year must be treated with caution due to business and price distortions caused by the timing of the Lunar New Year, which fell in late January 2017 but starts in mid February this year.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# DAILY RATES

Monday 12 February 2018 | www.bancorptreasury.com

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	74.79					<b>CAD</b>	0.9120 0.9823
NZD/USD	0.7246	-0.0003	-0.0006	-0.0006	-0.0004	<b>CHF</b>	0.6803 0.7328
NZD/AUD	0.9284	-0.0002	-0.0006	-0.0010	-0.0019	<b>CNY</b>	4.5612 4.9129
NZD/JPY	78.86	-0.15	-0.52	-1.02	-2.11	<b>DKK</b>	4.4029 4.7424
NZD/EUR	0.5914	-0.0013	-0.0042	-0.0082	-0.0168	<b>FJD</b>	1.4771 1.5910
NZD/GBP	0.5244	-0.0008	-0.0025	-0.0045	-0.0085	<b>HKD</b>	5.6663 6.1032
						<b>KRW</b>	786.76 847.44
AU TWI	63.60					<b>MYR</b>	2.8415 3.0606
AUD/USD	0.7805	-0.0001	-0.0001	0.0002	0.0012	<b>NOK</b>	5.7783 6.2239
AUD/NZD	1.0771	0.0002	0.0007	0.0012	0.0022	<b>SEK</b>	5.8680 6.3206
AUD/JPY	84.94	-0.15	-0.50	-1.01	-2.10	<b>SGD</b>	0.9641 1.0385
AUD/EUR	0.6370	-0.0012	-0.0041	-0.0082	-0.0168	<b>TWD</b>	21.27 22.91
AUD/GBP	0.5650	-0.0007	-0.0023	-0.0042	-0.0080	<b>ZAR</b>	8.6904 9.3606
US TWI	85.20						
EUR/USD	1.2252	0.0022	0.0078	0.0163	0.0351	<b>EQUITIES</b>	
USD/JPY	108.84	-0.17	-0.63	-1.32	-2.86		<b>Index</b>
GBP/USD	1.3814	0.0015	0.0054	0.0107	0.0219	<b>NZX50</b>	8,092
EUR/GBP	0.8870	0.0006	0.0022	0.0049	0.0112	<b>ASX200</b>	5,838
						<b>Dow Jones</b>	24,191
						<b>S&amp;P 500</b>	2,620
						<b>FTSE100</b>	7,092
						<b>DAX 30</b>	12,107
						<b>Nikkei</b>	21,383
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	61.30
						<b>Brent Crude</b>	62.79
						<b>Gold</b>	1,316.10
						<b>Silver</b>	16.36
						<b>CRB Index</b>	191.83
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>			
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>		
30 day bank bills		1.82%	1.78%	1.68%	1.66%		
90 day bank bills		1.93%	1.89%	1.76%	1.76%		
FRA 90d in 3mths		1.94%	1.92%	1.80%	1.75%		
FRA 180d in 6mths		2.01%	1.98%	2.01%	1.97%		
1 year swap*		1.98%	1.94%	1.83%	1.81%		
2 year swap*		2.17%	2.13%	2.00%	1.99%		
3 year swap*		2.37%	2.34%	2.17%	2.16%		
5 year swap*		2.77%	2.69%	2.60%	2.56%		
10 year swap*		3.29%	3.26%	3.00%	3.00%		
10 year Govt bond			2.94%		2.86%		

\* Semi-annual rate resets except AU 1,2,3 yr 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.