



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 12 February 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6732	0.0023
NZD/AUD	0.9532	0.0006
NZD/JPY	74.31	-0.85
NZD/EUR	0.5971	-0.0072
NZD/GBP	0.5234	-0.0030
NZD/CNH	4.5779	0.0131
AUD/USD	0.7063	0.0019
AUD/EUR	0.6265	-0.0079
EUR/USD	1.1274	0.0176
USD/CNH	6.8006	-0.0033
GBP/USD	1.2861	0.0118
EUR/GBP	0.8766	0.0056

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.91%	1.99%
2 year swap	1.82%	1.77%
10 year Govt	2.12%	2.06%

Brexit bites

UK GDP tumbled in December, showing a 0.4% contraction from a month earlier as the uncertainty over what shape Brexit will take, if at all, is felt in the economic data. The market had been expecting a flat result, down from November's 0.2% increase in activity. For the quarter, the UK grew at just 0.2%, and for the 2018 calendar year it grew at just 1.3%, its slowest pace in six years.

The data dump only made for worse reading. The most worrying was a

sharp fall in business investment for the December quarter, down 1.4% versus a 1.0% fall expected. For the year, business investment is down 3.7%, a level not seen since early 2010 as the UK was pulling itself out of the GFC.

Other metrics that point to the effects of Brexit: Gross fixed capital formation -0.5% for the quarter versus -0.1% expected; Industrial production -0.9% for the year versus -0.5% expected. Manufacturing production -2.1% for the year versus -1.1% expected; Index of services -0.2% for the month versus 0.0% expected.

The data shows there is some frontloading ahead of whatever happens. Government spending is up 1.4% for the quarter as a number of cost centres are expanded to deal with the changes. Imports are also up 1.3% for the quarter from 0.0% in September as presumably consumers and businesses alike get the supplies they need before March.

The market put the pound under pressure earlier yesterday, and this result only exacerbated the move. The GBP/USD fell from 1.2930 to below 1.2900 following the data, which led to continued selling and a low of 1.2845 found a short time ago. The NZD/GBP was slightly volatile as the NZD also came under pressure from a stronger USD, but closed the day at 0.5233 up from 0.5208 at the week's open.

Eurozone weaker than expected

ECB Vice President, Luis de Guindos, spoke yesterday at a Business School in Madrid and confirmed that data has been weaker than expected. Data earlier this month showed Eurozone GDP for the December quarter was up only 1.2% over the year and the European Commission slashed its growth forecast for Eurozone economies from 1.9% to 1.3% for this year and lowered its forecast for next year. Industrial production growth also fell in the second half of 2018.

Near term growth is expected to be weaker than expected as a result of slowing growth in key trading partners such as China, resulting in lower exports. Geo-political factors, such as Brexit, along with protectionism are also weighing on growth and business and consumer confidence.

Guindos commented that inflation pressures have also eased, mainly due to the significant fall in oil prices. Inflation fell to 1.4% in January, down from 1.6% in December, and inflation pressures are expected to decline further. Like other major central banks, he noted the downside risks to the growth outlook and that monetary policy stimulus will be needed. The EUR/USD fell from around 1.1320 to around 1.1270, continuing its recent theme of EUR weakness. This time last year the EUR/USD was closer to 1.2500.

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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	73.48					CAD	0.8951 0.9391
NZD/USD	0.6732	0.0004	0.0011	0.0023	0.0044	CHF	0.6758 0.7090
NZD/AUD	0.9532	0.0001	0.0003	0.0006	0.0007	CNY	4.5723 4.7970
NZD/JPY	74.31	-0.12	-0.42	-0.85	-1.78	DKK	4.4560 4.6750
NZD/EUR	0.5971	-0.0011	-0.0035	-0.0072	-0.0146	FJD	1.4387 1.5095
NZD/GBP	0.5234	-0.0004	-0.0015	-0.0030	-0.0060	HKD	5.2828 5.5425
						KRW	758.23 795.50
AU TWI	60.70					MYR	2.7488 2.8839
AUD/USD	0.7063	0.0003	0.0010	0.0019	0.0041	NOK	5.8687 6.1571
AUD/NZD	1.0492	-0.0001	-0.0003	-0.0007	-0.0007	SEK	6.2632 6.5710
AUD/JPY	77.97	-0.13	-0.47	-0.94	-1.92	SGD	0.9161 0.9611
AUD/EUR	0.6265	-0.0012	-0.0039	-0.0079	-0.0158	TWD	20.79 21.82
AUD/GBP	0.5492	-0.0005	-0.0018	-0.0035	-0.0067	ZAR	9.3071 9.7645
USD Index	97.09						
EUR/USD	1.1274	0.0026	0.0086	0.0176	0.0358	EQUITIES	
USD/JPY	110.40	-0.24	-0.81	-1.63	-3.34		Index
GBP/USD	1.2861	0.0018	0.0059	0.0118	0.0233	NZX50	9,210
EUR/GBP	0.8766	0.0008	0.0027	0.0056	0.0117	ASX200	6,061
						Dow Jones	25,038
						S&P 500	2,708
						FTSE100	7,129
						DAX 30	11,015
						Nikkei	20,333
						COMMODITIES	
							USD
						Dubai Light	61.93
						Brent Crude	61.87
						Gold	1,308.48
						Silver	15.69
						CRB Index	184.19

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.87%	1.83%	1.99%	1.97%
90 day bank bills	1.93%	1.89%	1.99%	1.99%
FRA 90d in 3mths	1.86%	1.85%	1.87%	1.82%
FRA 180d in 6mths	1.86%	1.83%	1.94%	1.90%
1 year swap*	1.86%	1.83%	1.86%	1.85%
2 year swap*	1.83%	1.80%	1.78%	1.76%
3 year swap*	1.84%	1.82%	1.76%	1.75%
5 year swap*	1.98%	1.95%	2.00%	1.99%
10 year swap*	2.42%	2.40%	2.34%	2.34%
10 year Govt bond		2.10%		2.06%

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

SOURCE: Bloomberg

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