



# MARKET ALERT

Tuesday 12 March 2019 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.6821 | 0.0023  |
| NZD/AUD    | 0.9662 | 0.0004  |
| NZD/JPY    | 75.86  | -0.83   |
| NZD/EUR    | 0.6067 | -0.0072 |
| NZD/GBP    | 0.5189 | -0.0029 |
| NZD/CNH    | 4.5920 | 0.0175  |
| AUD/USD    | 0.7060 | 0.0021  |
| AUD/EUR    | 0.6279 | -0.0077 |
| EUR/USD    | 1.1243 | 0.0175  |
| USD/CNH    | 6.7321 | 0.0025  |
| GBP/USD    | 1.3145 | 0.0118  |
| EUR/GBP    | 0.8553 | 0.0055  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 1.75% | 1.50%     |
| 90 day bills | 1.88% | 1.86%     |
| 2 year swap  | 1.84% | 1.69%     |
| 10 year Govt | 2.08% | 2.03%     |

The economy continues to be weighed down by slowing global growth and trade tensions.

A key factor weighing on Germany's economy is China's slowing economy, particularly its demand for cars. Chinese car sales fell in February for the eighth month in row.

This data reinforces the slowdown in Europe. Last week the ECB acknowledged the threat of trade protectionism and slowing Eurozone economic activity, and has introduced a new series of long term financing to banks to help boost the economy.

The EUR/USD has trended lower over the past 12 months but overnight the EUR/USD fell to a low of 1.1223, a level not seen since June 2017, but has since retraced slightly.

He also cautioned that disinflationary pressures are all over the world, and that downside risks to the economic outlook have increased. Powell also said the Fed was *"well along in our discussions of a plan to conclude balance-sheet runoff later this year."*

Clearly grappling with the inflation conundrum that most central banks around the globe are dealing with, he said that inflation doesn't react to slack in the economy as much as in the past. Powell attributed it to the product of economic changes and credibility in the Fed built up over the decades that needs to be maintained.

In his 60 Minutes interview, Powell repeated that the outlook for the economy was positive. He also suggested the main risks to the US economy were from abroad. The chairman also reasserted that the central bank does *"not feel any hurry"* to adjust interest rates, and that policy settings are *"appropriate."*

## Further German weakness

German industrial production fell in January by 0.8%, well below forecasts for a gain of 0.4%, and continues the worrying theme that Europe's powerhouse and biggest economy is slowing.

However, the December monthly figure was revised from 0.4% fall to a 0.8% gain. German narrowly avoided recession in the December quarter, after the September quarter GDP had contracted.

## Powell says nothing demands action

Chairman Powell spoke over the weekend and said that nothing in the outlook demands a policy response from the Fed. The Chairman was busy, also speaking to 60 Minutes, where he said that the current policy rate was *"roughly neutral."*

In his weekend speech to Stanford University, he warned that growth had slowed in Europe, China, and the US, and while the outlook was for *"healthy growth,"* it will be slower than in 2018.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# DAILY RATES

Tuesday 12 March 2019 | www.bancorptreasury.com

| FX                    | Spot   | FECs (mid)         |               |                  |               | Spot Mid           |                |
|-----------------------|--------|--------------------|---------------|------------------|---------------|--------------------|----------------|
|                       | Mid    | 1mth               | 3mths         | 6mths            | 12mths        | NZD/...            | AUD/...        |
| NZ TWI                | 74.34  |                    |               |                  |               | <b>CAD</b>         | 0.9149 0.9469  |
| NZD/USD               | 0.6821 | 0.0004             | 0.0012        | 0.0023           | 0.0045        | <b>CHF</b>         | 0.6897 0.7138  |
| NZD/AUD               | 0.9662 | 0.0001             | 0.0003        | 0.0004           | -0.0001       | <b>CNY</b>         | 4.5880 4.7485  |
| NZD/JPY               | 75.86  | -0.15              | -0.42         | -0.83            | -1.74         | <b>DKK</b>         | 4.5260 4.6843  |
| NZD/EUR               | 0.6067 | -0.0013            | -0.0036       | -0.0072          | -0.0146       | <b>FJD</b>         | 1.4608 1.5119  |
| NZD/GBP               | 0.5189 | -0.0006            | -0.0015       | -0.0029          | -0.0056       | <b>HKD</b>         | 5.3543 5.5416  |
|                       |        |                    |               |                  |               | <b>KRW</b>         | 772.41 799.43  |
| AU TWI                | 60.20  |                    |               |                  |               | <b>MYR</b>         | 2.7865 2.8839  |
| AUD/USD               | 0.7060 | 0.0004             | 0.0010        | 0.0021           | 0.0047        | <b>NOK</b>         | 5.9107 6.1175  |
| AUD/NZD               | 1.0350 | -0.0001            | -0.0004       | -0.0004          | 0.0001        | <b>SEK</b>         | 6.4024 6.6264  |
| AUD/JPY               | 78.52  | -0.17              | -0.46         | -0.89            | -1.79         | <b>SGD</b>         | 0.9266 0.9590  |
| AUD/EUR               | 0.6279 | -0.0014            | -0.0039       | -0.0077          | -0.0150       | <b>TWD</b>         | 21.09 21.82    |
| AUD/GBP               | 0.5371 | -0.0006            | -0.0017       | -0.0032          | -0.0057       | <b>ZAR</b>         | 9.7862 10.1285 |
| USD Index             | 97.23  |                    |               |                  |               |                    |                |
| EUR/USD               | 1.1243 | 0.0031             | 0.0087        | 0.0175           | 0.0353        | <b>EQUITIES</b>    |                |
| USD/JPY               | 111.23 | -0.29              | -0.81         | -1.60            | -3.26         |                    | <b>Index</b>   |
| GBP/USD               | 1.3145 | 0.0022             | 0.0060        | 0.0118           | 0.0230        | <b>NZX50</b>       | 9,391          |
| EUR/GBP               | 0.8553 | 0.0010             | 0.0027        | 0.0055           | 0.0116        | <b>ASX200</b>      | 6,180          |
|                       |        |                    |               |                  |               | <b>Dow Jones</b>   | 25,618         |
|                       |        |                    |               |                  |               | <b>S&amp;P 500</b> | 2,779          |
|                       |        |                    |               |                  |               | <b>FTSE100</b>     | 7,131          |
|                       |        |                    |               |                  |               | <b>DAX 30</b>      | 11,543         |
|                       |        |                    |               |                  |               | <b>Nikkei</b>      | 21,125         |
|                       |        |                    |               |                  |               |                    |                |
|                       |        |                    |               |                  |               | <b>COMMODITIES</b> |                |
|                       |        |                    |               |                  |               |                    | <b>USD</b>     |
|                       |        |                    |               |                  |               | <b>Dubai Light</b> | 66.40          |
|                       |        |                    |               |                  |               | <b>Brent Crude</b> | 66.63          |
|                       |        |                    |               |                  |               | <b>Gold</b>        | 1,292.83       |
|                       |        |                    |               |                  |               | <b>Silver</b>      | 15.31          |
|                       |        |                    |               |                  |               | <b>CRB Index</b>   | 187.92         |
|                       |        |                    |               |                  |               |                    |                |
| <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     |        | 1.89%              | 1.86%         | 1.86%            | 1.84%         |                    |                |
| 90 day bank bills     |        | 1.88%              | 1.87%         | 1.88%            | 1.84%         |                    |                |
| FRA 90d in 3mths      |        | 1.90%              | 1.87%         | 1.79%            | 1.74%         |                    |                |
| FRA 180d in 6mths     |        | 1.86%              | 1.82%         | 1.81%            | 1.77%         |                    |                |
| 1 year swap*          |        | 1.87%              | 1.84%         | 1.76%            | 1.75%         |                    |                |
| 2 year swap*          |        | 1.85%              | 1.83%         | 1.69%            | 1.68%         |                    |                |
| 3 year swap*          |        | 1.86%              | 1.84%         | 1.69%            | 1.68%         |                    |                |
| 5 year swap*          |        | 1.98%              | 1.96%         | 1.93%            | 1.92%         |                    |                |
| 10 year swap*         |        | 2.38%              | 2.35%         | 2.25%            | 2.25%         |                    |                |
| 10 year Govt bond     |        |                    | 2.06%         |                  | 2.03%         |                    |                |

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

SOURCE: Bloomberg

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