



MARKET ALERT

Wednesday 13 March 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6868	0.0022
NZD/AUD	0.9693	0.0002
NZD/JPY	76.42	-0.87
NZD/EUR	0.6081	-0.0074
NZD/GBP	0.5255	-0.0030
NZD/CNH	4.6065	0.0166
AUD/USD	0.7086	0.0021
AUD/EUR	0.6274	-0.0078
EUR/USD	1.1294	0.0176
USD/CNH	6.7072	0.0024
GBP/USD	1.3071	0.0118
EUR/GBP	0.8640	0.0056

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.87%	1.87%
2 year swap	1.84%	1.67%
10 year Govt	2.09%	2.03%

Brexit: vote is 'No'

The Brexit vote on Theresa May's revised deal has resulted in a resounding 'No.' The vote which took place a short time ago resulted in 391-242 compared to the January 15 vote which was 432-202. This result will undoubtedly raise questions about Theresa May's future as PM.

Previously her coalition partners DUP, along with a number of high ranking conservatives, publicly stated they would vote against the revised deal, although she did manage to persuade some.

Late Monday (UK time), Theresa May flew to Strasbourg to meet with

European Commission President, Jean-Claude Juncker, to get further assurances the UK would be able to leave the Irish backstop, along with other changes. Many lawmakers have issues with the mechanism keeping the border open between Ireland and Northern Ireland, effectively keeping the UK within the EU customs union until a permanent new trading relationship is in place. Some fear the UK will be stuck within the union indefinitely.

Theresa May said new documents to be added to the deal provided "legally binding changes" to the part relating to the Irish border, essentially legal assurances that Britain cannot be "trapped" in the customs union. Jean-Claude Juncker didn't mince his words, saying "Let's be crystal clear about the choice: it is this deal or Brexit might not happen at all."

However, her attorney General said "the legal risks remain unchanged." That resulted in the GBP/USD tumbling 200 points to 1.3005 before moderating somewhat. The NZD/GBP climbed as high as 0.5263.

Following the vote, the GBP climbed slightly, but the move was largely done.

Parliament now moves on to a vote tomorrow on whether to crash out of the EU without a deal altogether.

If that no-deal option is rejected, MPs could get a vote the following day on whether to request a delay to Brexit. The UK is due to leave the EU on 29 March.

Subdued US CPI

US CPI rose 0.2% in February, matching with market expectations. February's CPI rise was due to higher energy and food prices and adverse winter weather respectively. Not surprisingly, the core CPI measure, which excludes food and energy, rose a meagre 0.1%, falling short of expectations for a 0.2% rise. Over the year, headline CPI rose 1.5% and core CPI rose 2.1%.

The weaker than expected US CPI, coming days after the disappointing non-farm payrolls number and Fed Chair, Jerome Powell, repeating that there is nothing in the outlook demands a policy response from the Fed, caused Treasury yields and the USD to fall. The 10 year Treasury yield fell to 2.60%, its lowest level since the first week of January.

The USD, already under pressure from Boeing's increasingly bad news, received another push down on upbeat comments from US Trade Representative, Robert Lighthizer, to a Senate panel, that "we are in the final weeks" of talks to reach a trade deal with China. The USD/CNH was a notable loser overnight.

The NZD received a lift from the weaker USD and stronger CNH, taking the AUD with it, albeit reluctantly. The NZD/AUD, propelled upwards by weak Australian data yesterday, is a gnat's whisker away from 0.9700, which it last hit in September 2016, excluding January's AUD 'flash crash'.



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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	74.71					CAD	0.9181 0.9472
NZD/USD	0.6868	0.0003	0.0011	0.0022	0.0042	CHF	0.6917 0.7136
NZD/AUD	0.9693	0.0000	0.0003	0.0002	-0.0003	CNY	4.6074 4.7535
NZD/JPY	76.42	-0.16	-0.43	-0.87	-1.77	DKK	4.5364 4.6803
NZD/EUR	0.6081	-0.0013	-0.0036	-0.0074	-0.0148	FJD	1.4668 1.5134
NZD/GBP	0.5255	-0.0006	-0.0015	-0.0030	-0.0058	HKD	5.3912 5.5622
						KRW	775.06 799.65
AU TWI	60.30					MYR	2.7956 2.8843
AUD/USD	0.7086	0.0003	0.0010	0.0021	0.0046	NOK	5.9253 6.1132
AUD/NZD	1.0317	0.0000	-0.0003	-0.0003	0.0003	SEK	6.4226 6.6264
AUD/JPY	78.85	-0.16	-0.46	-0.91	-1.81	SGD	0.9310 0.9605
AUD/EUR	0.6274	-0.0014	-0.0039	-0.0078	-0.0151	TWD	21.23 21.90
AUD/GBP	0.5421	-0.0006	-0.0017	-0.0033	-0.0058	ZAR	9.8545 10.1671
USD Index	96.96						
EUR/USD	1.1294	0.0030	0.0087	0.0176	0.0354	EQUITIES	
USD/JPY	111.29	-0.28	-0.80	-1.62	-3.25		Index
GBP/USD	1.3071	0.0021	0.0059	0.0118	0.0228	NZX50	9,397
EUR/GBP	0.8640	0.0009	0.0027	0.0056	0.0117	ASX200	6,175
						Dow Jones	25,584
						S&P 500	2,795
						FTSE100	7,151
						DAX 30	11,524
						Nikkei	21,504
						COMMODITIES	
							USD
						Dubai Light	67.52
						Brent Crude	66.70
						Gold	1,301.76
						Silver	15.46
						CRB Index	188.78

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.88%	1.84%	1.87%	1.85%
90 day bank bills	1.89%	1.85%	1.89%	1.85%
FRA 90d in 3mths	1.89%	1.86%	1.79%	1.74%
FRA 180d in 6mths	1.87%	1.84%	1.79%	1.75%
1 year swap*	1.87%	1.85%	1.75%	1.74%
2 year swap*	1.85%	1.83%	1.68%	1.67%
3 year swap*	1.86%	1.84%	1.66%	1.65%
5 year swap*	1.98%	1.96%	1.90%	1.89%
10 year swap*	2.37%	2.34%	2.23%	2.22%
10 year Govt bond		2.07%		2.03%

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

SOURCE: Bloomberg

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