



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Wednesday 14 February 2018 | www.bancorptreasury.com

CURRENCIES	Spot	6 mths
NZD/USD	0.7279	-0.0006
NZD/AUD	0.9265	-0.0011
NZD/JPY	78.37	-1.02
NZD/EUR	0.5894	-0.0082
NZD/GBP	0.5247	-0.0044
NZD/CNH	4.6102	0.0444
AUD/USD	0.7857	0.0003
AUD/EUR	0.6362	-0.0081
EUR/USD	1.2350	0.0163
USD/CNH	6.3345	0.0665
GBP/USD	1.3874	0.0106
EUR/GBP	0.8902	0.0049

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.91%	1.76%
2 year swap	2.16%	2.02%
10 year Govt	2.97%	2.88%

Australian bank inquiry begins

The government appointed Royal Commission launched a landmark inquiry into wrongdoing among Australia's banks and financial services yesterday with many being accused of alleged and established misconduct in the sector.

Australia's banks, which are among the most profitable in the world, have been plagued with customer exploitation and corporate fraud, among other scandals. Along with banking, the year long inquiry will look at superannuation,

insurance and wealth management as well as profitability structures.

The first round of public hearings will start in one month and will look at inappropriate lending to consumers, including home loan and credit card lending. Public trust has diminished as evidence of wrongdoing has mounted in the last year. Rate fixing cases against all four banks have been played out in court by corporate watchdog ASIC, while one bank admitted breaching anti money-laundering and terrorism financing laws (an alleged 50,000 times).

Pressure grew from public debate and although Prime Minister, Malcolm Turnbull, had initially opposed an inquiry, he agreed in December that one was needed to restore confidence in the sector.

The cost to the banks won't only be to their reputation; CBA last week took an AUD200 million provision to cover the expense of regulatory probes, including the Royal Commission, and compensating customers. For their part, the banks have said they have learnt their lesson and are already taking steps from compensating customers to changing pay structures. An interim report is expected by September this year, with a full report by February 2019.

UK inflation holds up

The UK's consumer inflation (CPI) rate held at 3.0% for the year to January,

slightly higher than the 2.9% the market was expecting. It was the fourth reading in a row with a three on the front, seemingly justifying the BoE's interest rate hike late last year. Core CPI, which excludes volatile items such as food and energy, remained above the BoE's 2.0% target level at 2.7%, but looks to have stabilised around this level.

The Retail Price Index (RPI), which does include the volatile goods consumed by households as well as housing costs, also remained firm at 4.0% annually, down a fraction from 4.1% in December.

The recent strength in the pound will be helping moderate inflation in the UK. Pressure will be on the BoE to reign in the inflation rate and get it back towards 2%, however, they will be extremely conscious of the fact that an economic shock in the form of Brexit is just one year away. The market is pricing in a 68% chance of a rate hike in May and a full rate hike by August.

The GBP/USD pair climbed on the release, from yesterday's open at 1.3837 to as high as 1.3924, before consolidating around the 1.3880 mark. The NZD/GBP saw a more muted move, climbing from 0.5250 to 0.5275 before pairing the gains to close unchanged as the NZD remained firm across the board.

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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	74.96					CAD 0.9173	0.9901
NZD/USD	0.7279	-0.0002	-0.0005	-0.0006	-0.0004	CHF 0.6802	0.7341
NZD/AUD	0.9265	-0.0002	-0.0006	-0.0011	-0.0019	CNY 4.6142	4.9805
NZD/JPY	78.37	-0.15	-0.51	-1.02	-2.10	DKK 4.3917	4.7403
NZD/EUR	0.5894	-0.0012	-0.0040	-0.0082	-0.0167	FJD 1.4778	1.5951
NZD/GBP	0.5247	-0.0007	-0.0023	-0.0044	-0.0084	HKD 5.6937	6.1457
						KRW 789.59	852.27
AU TWI	64.20					MYR 2.8738	3.1019
AUD/USD	0.7857	-0.0001	-0.0001	0.0003	0.0013	NOK 5.7376	6.1930
AUD/NZD	1.0794	0.0002	0.0006	0.0013	0.0023	SEK 5.8423	6.3061
AUD/JPY	84.59	-0.14	-0.50	-1.00	-2.09	SGD 0.9625	1.0389
AUD/EUR	0.6362	-0.0012	-0.0040	-0.0081	-0.0167	TWD 21.34	23.03
AUD/GBP	0.5663	-0.0007	-0.0022	-0.0041	-0.0079	ZAR 8.6696	9.3579
US TWI	86.24						
EUR/USD	1.2350	0.0021	0.0076	0.0163	0.0354	EQUITIES	
USD/JPY	107.68	-0.16	-0.62	-1.31	-2.83		Index
GBP/USD	1.3874	0.0014	0.0052	0.0106	0.0218	NZX50	8,122
EUR/GBP	0.8902	0.0006	0.0021	0.0049	0.0113	ASX200	5,856
						Dow Jones	24,659
						S&P 500	2,662
						FTSE100	7,168
						DAX 30	12,197
						Nikkei	21,245
						COMMODITIES	
							USD
						Dubai Light	59.11
						Brent Crude	62.64
						Gold	1,327.68
						Silver	16.57
						CRB Index	193.33

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.82%	1.78%	1.68%	1.66%
90 day bank bills	1.91%	1.90%	1.76%	1.76%
FRA 90d in 3mths	1.96%	1.92%	1.84%	1.79%
FRA 180d in 6mths	2.06%	2.03%	2.04%	2.00%
1 year swap*	2.01%	1.97%	1.86%	1.82%
2 year swap*	2.18%	2.14%	2.02%	2.01%
3 year swap*	2.38%	2.35%	2.19%	2.18%
5 year swap*	2.77%	2.69%	2.61%	2.60%
10 year swap*	3.31%	3.28%	3.05%	3.01%
10 year Govt bond		2.96%		2.88%

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

SOURCE: Bloomberg

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