



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Thursday 14 March 2019 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6855	0.0023
NZD/AUD	0.9667	0.0002
NZD/JPY	76.12	-0.85
NZD/EUR	0.6051	-0.0073
NZD/GBP	0.5184	-0.0029
NZD/CNH	4.5977	0.0165
AUD/USD	0.7092	0.0022
AUD/EUR	0.6260	-0.0077
EUR/USD	1.1329	0.0176
USD/CNH	6.7072	0.0018
GBP/USD	1.3221	0.0118
EUR/GBP	0.8569	0.0056

  

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.87%	1.86%
2 year swap	1.83%	1.64%
10 year Govt	2.04%	1.96%

## Brexit delay looking likely

The UK House of Commons, having yesterday rejected the re-negotiated Brexit 'Bad Deal', looks likely to vote against leaving the EU without an agreed deal.

That will bring the third round into play tomorrow — to vote tomorrow on whether to delay Brexit, which is scheduled to happen two weeks tomorrow.

It is looking increasingly likely that Brexit will not happen on 29 March, which is the markets' preferred (or more likely, least disliked) outcome.

Helped by a weaker USD overnight and the elimination of another of the markets' undesirable outcomes, the GBP/USD has held yesterday's post-vote gains and remains above 1.3200, and near the top of its trading range, since July last year.

## More weak Australian data

Lending to Australian households in January was 2.4% lower than in December and 17.5% down on a year earlier. January's fall follows a 3.6% fall in December. The main cause of the fall was dramatically lower lending for both owner-occupier and investment dwellings. Lending for new dwellings fell 20.6% over the year, the largest annual fall since late 2008.

The one bright spot in the lending data was that lending to businesses was 10.8% up for the month and 4.2% up than a year earlier.

Not surprisingly, consumer sentiment is tanking. The Westpac-Melbourne Institute survey has reported another drop in its headline consumer confidence index from 103.8 in February to 98.8 in March with the pessimists now outnumbering the optimists.

Yet more weak Australian data caused markets to increase the odds of RBA rate cuts in 2019 and 2020. That pushed down the AUD and Australian swap rates, with the latter and the AUD/NZD (at 1.0300, or 0.9700 in NZD/AUD terms) reaching their lowest since September 2016.

The AUD/NZD found solid support at 1.0300 and the NZD/AUD solid resistance above 0.9700, especially with the AUD finding more favour overnight from a weaker USD.

## And disappointing US data

US durable goods order rose 0.4% in January. Not only was January's rise below expectations but the gain was due to a 15.9% jump in orders for civilian airplanes, which tend to be lumpy and highly volatile and is a hot topic at the moment with a global grounding of Boeing's 737 Max jets.

Durables goods orders, excluding transportation, fell 0.1% in January. The only highlight was that orders for non-defence capital goods, regarded as a good measure of underlying business sentiment, rose 0.8%, the biggest rise in six months although some regarded January's rise as a rebound from recent months' declines.

The durable goods data did nothing to contradict recent evidence of a cooling US manufacturing sector and reinforced the Fed's recent re-thinking of its guidance for Fed Funds rate rises in 2019 and 2020.

Not surprisingly, the USD weakened overnight although any moves were constrained by the spotlight on and nervous wait for another UK Brexit vote.



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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	74.48					<b>CAD</b> 0.9120	0.943
NZD/USD	0.6855	0.0004	0.0012	0.0023	0.0043	<b>CHF</b> 0.6877	0.711
NZD/AUD	0.9667	0.0001	0.0002	0.0002	-0.0005	<b>CNY</b> 4.5977	4.750
NZD/JPY	76.12	-0.15	-0.43	-0.85	-1.76	<b>DKK</b> 4.5144	4.669
NZD/EUR	0.6051	-0.0013	-0.0037	-0.0073	-0.0146	<b>FJD</b> 1.4616	1.511
NZD/GBP	0.5184	-0.0005	-0.0015	-0.0029	-0.0056	<b>HKD</b> 5.3809	5.560
						<b>KRW</b> 775.09	801.7
AU TWI	60.20					<b>MYR</b> 2.7962	2.892
AUD/USD	0.7092	0.0003	0.0010	0.0022	0.0048	<b>NOK</b> 5.8717	6.072
AUD/NZD	1.0344	-0.0001	-0.0002	-0.0003	0.0006	<b>SEK</b> 6.3719	6.593
AUD/JPY	78.77	-0.16	-0.46	-0.90	-1.78	<b>SGD</b> 0.9275	0.959
AUD/EUR	0.6260	-0.0013	-0.0040	-0.0077	-0.0148	<b>TWD</b> 21.19	21.9
AUD/GBP	0.5364	-0.0006	-0.0017	-0.0031	-0.0055	<b>ZAR</b> 9.8853	10.225
USD Index	96.60						
EUR/USD	1.1329	0.0030	0.0089	0.0176	0.0353	<b>EQUITIES</b>	
USD/JPY	111.08	-0.28	-0.81	-1.61	-3.24		<b>Ind</b>
GBP/USD	1.3221	0.0021	0.0061	0.0118	0.0229	<b>NZX50</b>	9,38
EUR/GBP	0.8569	0.0009	0.0028	0.0056	0.0117	<b>ASX200</b>	6,10
						<b>Dow Jones</b>	25,67
						<b>S&amp;P 500</b>	2,83
						<b>FTSE100</b>	7,15
						<b>DAX 30</b>	11,57
						<b>Nikkei</b>	21,29
						<b>COMMODITIES</b>	
							<b>US</b>
						<b>Dubai Light</b>	67.0
						<b>Brent Crude</b>	67.0
						<b>Gold</b>	1,310.0
						<b>Silver</b>	15.4
						<b>CRB Index</b>	190.9
<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		1.88%	1.84%	1.86%	1.84%		
90 day bank bills		1.89%	1.85%	1.88%	1.84%		
FRA 90d in 3mths		1.89%	1.86%	1.77%	1.72%		
FRA 180d in 6mths		1.83%	1.80%	1.76%	1.72%		
1 year swap*		1.87%	1.84%	1.72%	1.71%		
2 year swap*		1.84%	1.81%	1.65%	1.63%		
3 year swap*		1.85%	1.82%	1.64%	1.63%		
5 year swap*		1.96%	1.94%	1.88%	1.87%		
10 year swap*		2.35%	2.32%	2.21%	2.20%		
10 year Govt bond			2.02%		1.96%		

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