



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Tuesday 14 May 2019 | [www.bancorp-treasury.com](http://www.bancorp-treasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6573	0.0024
NZD/AUD	0.9462	-0.0005
NZD/JPY	71.85	-0.75
NZD/EUR	0.5852	-0.0066
NZD/GBP	0.5071	-0.0025
NZD/CNH	4.5404	0.0336
AUD/USD	0.6947	0.0029
AUD/EUR	0.6185	-0.0067
EUR/USD	1.1231	0.0170
USD/CNH	6.9087	0.0255
GBP/USD	1.2960	0.0113
EUR/GBP	0.8666	0.0055

  

INT RATES	NZ	Australia
OCR/Cash	1.50%	1.50%
90 day bills	1.71%	1.64%
2 year swap	1.60%	1.32%

## Risk off after China retaliates

China announced overnight that it will raise tariffs on USD60 billion of US imports from between 5% and 10% to up to 25%. The move, which covers goods leaving the US after 1 June is a direct response to the US raising tariffs on USD200 billion of Chinese goods last week.

The tariff announcement came after the PBC again lowered the daily central parity rate for the CNY across the board. The USD/CNY has gained 2.1% so far in May and looks set to gain more in the

immediate future given market pricing. The USD/CNY is above 6.8700 and the USD/CNH rate is above 6.9000 this morning, both up more than 500 points since Friday and well up from yesterday's PBC central parity rate of 6.7954.

China's tariff move, though not unexpected, created a strong market risk off response. Sharemarkets, oil prices, industrial commodity prices, the currencies of emerging and commodity currencies and bond yields fell. Precious metals, led by gold (up more than 1%), JPY and CHF rose.

The NZD and AUD have fallen across the board in response to the weaker CNY/CNH and China's tariffs announcement. The NZD was the less worse performer of the two, but only slightly. Despite the NZD/USD finding support around 0.6560 and the AUD/USD around 0.6950, both are vulnerable to further downside moves should the markets' risk off mood escalate.

The 10 year Treasury yield fell 6 bps and is below the 3 month Treasury yield, meaning that the Fed's preferred yield curve measure has gone negative. European and UK 10 year bond yields have recorded similar falls. It will be difficult for local swap rates and Australasian and Asian sharemarkets to escape the downward pressure when they open the day.

## Lending to Australian households falls again

The value of total lending to Australian households in March was 3.7% lower than in February, more than reversing February's rebound with a much bigger fall than expected by markets, and 16.2% lower than in March 2018. The big fall was driven by an 11.2% fall in personal finance excluding refinancing in March (that was down 23.8% over the year). The states with the biggest falls were NSW (down 5.7%) and Queensland (down 5.3%).

The number of loans approved for owner occupier dwelling including refinancing in March was 2.5% lower than in February and 11.3% lower than in March 2018.

It wasn't just households feeling a credit squeeze. The value of lending to businesses in March was 1.5% lower than in February and 4.2% lower than in March 2018.

The tighter lending by Australian banks, which is partly in response to the findings of the Royal Commission inquiry into the banking and insurance industries and falling house prices will be worrying for the RBA. Markets took the weak lending data as reinforcing the pricing of an RBA cash rate cut this year in August and gave the AUD and swap rates a gentle nudge lower.

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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	72.41					<b>CAD</b>	0.8853 0.9356
NZD/USD	0.6573	0.0004	0.0012	0.0024	0.0043	<b>CHF</b>	0.6615 0.6991
NZD/AUD	0.9462	-0.0001	-0.0001	-0.0005	-0.0015	<b>CNY</b>	4.5207 4.7780
NZD/JPY	71.85	-0.13	-0.39	-0.75	-1.53	<b>DKK</b>	4.3702 4.6189
NZD/EUR	0.5852	-0.0012	-0.0034	-0.0066	-0.0131	<b>FJD</b>	1.4174 1.4981
NZD/GBP	0.5071	-0.0005	-0.0014	-0.0025	-0.0048	<b>HKD</b>	5.1589 5.4525
						<b>KRW</b>	781.35 825.82
AU TWI	60.20					<b>MYR</b>	2.7425 2.8985
AUD/USD	0.6947	0.0005	0.0014	0.0029	0.0057	<b>NOK</b>	5.7554 6.0830
AUD/NZD	1.0569	0.0001	0.0002	0.0005	0.0017	<b>SEK</b>	6.3311 6.6914
AUD/JPY	75.95	-0.14	-0.40	-0.76	-1.50	<b>SGD</b>	0.9005 0.9518
AUD/EUR	0.6185	-0.0012	-0.0035	-0.0067	-0.0129	<b>TWD</b>	20.45 21.61
AUD/GBP	0.5360	-0.0005	-0.0014	-0.0024	-0.0042	<b>ZAR</b>	9.4181 9.9541
USD Index	97.31						
EUR/USD	1.1231	0.0031	0.0087	0.0170	0.0332	<b>EQUITIES</b>	
USD/JPY	109.34	-0.28	-0.79	-1.55	-3.02		<b>Index</b>
GBP/USD	1.2960	0.0021	0.0060	0.0113	0.0208	<b>NZX50</b>	10,127
EUR/GBP	0.8666	0.0009	0.0027	0.0055	0.0116	<b>ASX200</b>	6,298
						<b>Dow Jones</b>	25,331
						<b>S&amp;P 500</b>	2,807
						<b>FTSE100</b>	7,164
						<b>DAX 30</b>	11,877
						<b>Nikkei</b>	21,191
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	71.02
						<b>Brent Crude</b>	69.92
						<b>Gold</b>	1,299.37
						<b>Silver</b>	14.77
						<b>CRB Index</b>	185.72

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.70%	1.67%	1.68%	1.66%
90 day bank bills	1.73%	1.70%	1.66%	1.62%
FRA 90d in 3mths	1.65%	1.62%	1.42%	1.37%
FRA 180d in 6mths	1.60%	1.57%	1.43%	1.39%
1 year swap*	1.64%	1.61%	1.42%	1.41%
2 year swap*	1.61%	1.59%	1.33%	1.32%
3 year swap*	1.63%	1.60%	1.33%	1.32%
5 year swap*	1.73%	1.71%	1.57%	1.56%
10 year swap*	2.11%	2.09%	1.94%	1.92%
10 year Govt bond		1.78%		1.72%

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

SOURCE: Bloomberg

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