



MARKET ALERT

Monday 15 April 2019 | www.bancorptreasury.com

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6764 | 0.0024 |
| NZD/AUD | 0.9428 | -0.0002 |
| NZD/JPY | 75.73 | -0.82 |
| NZD/EUR | 0.5987 | -0.0070 |
| NZD/GBP | 0.5169 | -0.0028 |
| NZD/CNH | 4.5368 | 0.0205 |
| AUD/USD | 0.7175 | 0.0027 |
| AUD/EUR | 0.6350 | -0.0073 |
| EUR/USD | 1.1300 | 0.0175 |
| USD/CNH | 6.7072 | 0.0065 |
| GBP/USD | 1.3087 | 0.0117 |
| EUR/GBP | 0.8634 | 0.0056 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 1.75% | 1.50% |
| 90 day bills | 1.83% | 1.70% |
| 2 year swap | 1.69% | 1.56% |
| 10 year Govt | 2.02% | 1.88% |

Positive China data

China recorded a trade surplus of USD32.6 billion in March, better than expected because of a higher than expected 14.2% jump in exports, reversing some of February’s 20.7% fall, and a greater than expect 7.6% fall in imports from a year earlier.

Chinese banks issued CNY1.69 trillion of new yuan loans in March, according to the PBC. That was up sharply from CNY885.8 billion of new loans in February and well ahead of market expectations.

The positive Chinese data generated a slight risk on move that saw bond yields rise, the JPY and USD fall, and the AUD and NZD rise, slightly. The AUD again fared better, continuing the NZD/AUD gentle slide.

RBA worried about households’ debt

The RBA’s latest quarterly *Financial Stability Review* contained the usual list of external risks that “will be exacerbated by slower growth although the easing in global financing conditions and authorities’ actions have abated some risks.” Domestic risks though appear to have increased.

The RBA is concerned about high household debt and “the vulnerability of households and the financial sector to a sharp deterioration in economic conditions.” Potentially exacerbating that risk, “housing prices have fallen further” (especially in Sydney and Melbourne). The RBA is worried that “further price falls could also increase lenders’ perceptions of the riskiness of housing lending, compounding the somewhat tighter availability of credit seen to date.”

The RBA is also worried that changes in response to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry could distract banks from managing other risks. However, the RBA concluded that “overall, the financial system appears much better placed to respond to a range of challenges than it was a decade ago.”

Unbelievable migration data

New Zealand’s net inward migration continues to surge but the data is questionable, bordering on unbelievable all because of “the removal of the departure card and changes to the migration processing system in November 2018.” According to Stats NZ, “provisional annual net migration of 61,600 in the year ended February 2019 is near the highest reported under the new outcomes-based measure” but “net migration data is subject to revision under the new outcomes-based measure, and revisions may be significant in the first few months after initial release.”

To emphasize the questionability of this data, Stats NZ analysed the migration data for the September 2018 year, which was 45,300 when first released under the new methodology in January but has been revised to 52,200 (arrivals revised up and departures revised down).

The number of tourists visiting New Zealand in February was down from February last year. However, a record 3.88 million tourists arrived over the February year, of which 39% were from Australia, 11% from China, 9% from the US and 6% from the UK.

The migration and tourist data highlight the pressures on domestic infrastructure, particularly in and around Auckland, but fail to accurately quantify those pressures, which makes the jobs of central and local government planners even more difficult.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

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| FX | Spot | FECs (mid) | | | | Spot Mid | |
|-----------|--------|------------|---------|---------|---------|--------------------|----------------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... |
| NZ TWI | 73.42 | | | | | CAD | 0.9021 0.9568 |
| NZD/USD | 0.6764 | 0.0003 | 0.0011 | 0.0024 | 0.0047 | CHF | 0.6780 0.7191 |
| NZD/AUD | 0.9428 | -0.0002 | -0.0002 | -0.0002 | -0.0007 | CNY | 4.5346 4.8097 |
| NZD/JPY | 75.73 | -0.14 | -0.42 | -0.82 | -1.67 | DKK | 4.4683 4.7394 |
| NZD/EUR | 0.5987 | -0.0012 | -0.0036 | -0.0070 | -0.0139 | FJD | 1.4446 1.5322 |
| NZD/GBP | 0.5169 | -0.0005 | -0.0015 | -0.0028 | -0.0052 | HKD | 5.3047 5.6265 |
| | | | | | | KRW | 767.39 813.95 |
| AU TWI | 61.00 | | | | | MYR | 2.7752 2.9435 |
| AUD/USD | 0.7175 | 0.0005 | 0.0013 | 0.0027 | 0.0055 | NOK | 5.7423 6.0906 |
| AUD/NZD | 1.0607 | 0.0002 | 0.0002 | 0.0002 | 0.0008 | SEK | 6.2734 6.6540 |
| AUD/JPY | 80.33 | -0.14 | -0.43 | -0.86 | -1.71 | SGD | 0.9152 0.9707 |
| AUD/EUR | 0.6350 | -0.0012 | -0.0037 | -0.0073 | -0.0143 | TWD | 20.86 22.13 |
| AUD/GBP | 0.5483 | -0.0005 | -0.0015 | -0.0028 | -0.0051 | ZAR | 9.4471 10.0203 |
| USD Index | 96.97 | | | | | | |
| EUR/USD | 1.1300 | 0.0029 | 0.0087 | 0.0175 | 0.0350 | EQUITIES | |
| USD/JPY | 111.97 | -0.27 | -0.81 | -1.61 | -3.23 | | Index |
| GBP/USD | 1.3087 | 0.0020 | 0.0060 | 0.0117 | 0.0226 | NZX50 | 9,768 |
| EUR/GBP | 0.8634 | 0.0009 | 0.0027 | 0.0056 | 0.0116 | ASX200 | 6,251 |
| | | | | | | Dow Jones | 26,412 |
| | | | | | | S&P 500 | 2,907 |
| | | | | | | FTSE100 | 7,437 |
| | | | | | | DAX 30 | 12,000 |
| | | | | | | Nikkei | 21,871 |
| | | | | | | | |
| | | | | | | COMMODITIES | |
| | | | | | | | USD |
| | | | | | | Dubai Light | 70.11 |
| | | | | | | Brent Crude | 71.55 |
| | | | | | | Gold | 1,290.25 |
| | | | | | | Silver | 14.97 |
| | | | | | | CRB Index | 196.53 |

| INTEREST RATES | New Zealand | | Australia | |
|-------------------|-------------|--------|-----------|--------|
| | Borrow | Invest | Borrow | Invest |
| 30 day bank bills | 1.89% | 1.86% | 1.71% | 1.69% |
| 90 day bank bills | 1.85% | 1.82% | 1.72% | 1.68% |
| FRA 90d in 3mths | 1.75% | 1.72% | 1.65% | 1.60% |
| FRA 180d in 6mths | 1.66% | 1.63% | 1.65% | 1.61% |
| 1 year swap* | 1.74% | 1.71% | 1.61% | 1.58% |
| 2 year swap* | 1.70% | 1.67% | 1.57% | 1.55% |
| 3 year swap* | 1.72% | 1.69% | 1.59% | 1.56% |
| 5 year swap* | 1.85% | 1.82% | 1.83% | 1.82% |
| 10 year swap* | 2.28% | 2.25% | 2.20% | 2.19% |
| 10 year Govt bond | | 2.00% | | 1.88% |

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

SOURCE: Bloomberg

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