



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Wednesday 15 May 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6573	0.0025
NZD/AUD	0.9466	-0.0006
NZD/JPY	72.05	-0.77
NZD/EUR	0.5864	-0.0067
NZD/GBP	0.5092	-0.0026
NZD/CNH	4.5394	0.0288
AUD/USD	0.6944	0.0030
AUD/EUR	0.6195	-0.0067
EUR/USD	1.1208	0.0172
USD/CNH	6.9062	0.0179
GBP/USD	1.2908	0.0114
EUR/GBP	0.8683	0.0056

INT RATES	NZ	Australia
OCR/Cash	1.50%	1.50%
90 day bills	1.70%	1.63%
2 year swap	1.59%	1.34%
10 year Govt	1.78%	1.70%

Tit-for-tat tariff tussle continues

The US has started the formal process to impose tariffs of 25% on “essentially all [Chinese] products not currently covered,” estimated to be about USD300 billion, in response to China’s tariff increases on USD60 billion of US goods.

The PBC yesterday set the central parity rate for the USD/CNY at 6.8365, a 0.6% devaluation of the yuan. There is a lot of room for the PBC to set it higher. Also, there are roughly another USD60 billion of US imports into China not

attracting tariffs, notably passenger jets and crude oil.

Trump tweeting that “when the time is right, we will make a deal with China” and “in any event, China wants a deal” prompted markets to unwind a little of the recent flows into the safety of government bonds, JPY, CHF and gold, which halted the decline of emerging market and commodity currencies. However, Trump was light on specifics (as ever) and both sides still have some firepower in this “little squabble” (as Trump called it yesterday), limiting the unwind and keeping markets on edge.

The NZD/USD at 0.6574 and AUD/USD at 06942 are unchanged from yesterday morning.

House prices, migration and tourist numbers

New Zealand’s housing market slowed again in April. According to REINZ, the number of homes sold fell 19.0% in April and were 11.5% lower than in April last year. The REINZ’s House Price Index fell 1.2% in April but was up 1.3% from April last year, compared to 2.3% in March.

Auckland continues to drag down the average national house price. Auckland’s house prices fell 2.1% in April and 4.4% over the year. House prices outside of Auckland fell 0.4% in March but were up 6.7% for the year with 13 of the country’s 16 regions recording annual house price rises.

New Zealand’s migration data continues to be a statistical wonder. Net migration slowed slightly in March, but the annual net gain rose to 56,137 from 55,065 in February. After dipping in late 2017, the annual gain has consistently crept higher since July 2018.

The total number of visitors to New Zealand over the year continues to climb and is now at just under 3.9 million. Australia remains our number one tourist source with 38.5%, followed by China and Hong Kong (12.7%), US (9.4%) and UK (6.0%).

More gloomy Australian news

NAB’s latest business survey noted a sharply fall in business sentiment. The survey’s headline business conditions index fell from +7 in March to +3 in April. Business confidence improved, rising from -1 in March to zero in April and capacity utilisation was up. However, hiring intentions fell for the first time since late 2016, from +6 in March to -1 in April, forward orders remain negative and capacity utilisation remains well below levels at the end of 2018.

According to NAB, the weak hiring intentions imply an unemployment rate staying above 5.0%, which will frustrate the RBA. The survey heightened market anticipation for tomorrow’s Australian labour market data.

This document has been prepared by Bancorp Treasury Services Limited (“BTSL”). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.

**BANCORP**

BANCORP TREASURY SERVICES LIMITED

DAILY RATES

Wednesday 15 May 2019 | www.bancorptreasury.com

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	72.44					CAD	0.8851 0.9350
NZD/USD	0.6573	0.0004	0.0013	0.0025	0.0044	CHF	0.6632 0.7006
NZD/AUD	0.9466	-0.0001	-0.0002	-0.0006	-0.0016	CNY	4.5196 4.7746
NZD/JPY	72.05	-0.13	-0.38	-0.77	-1.54	DKK	4.3803 4.6274
NZD/EUR	0.5864	-0.0012	-0.0034	-0.0067	-0.0132	FJD	1.4216 1.5018
NZD/GBP	0.5092	-0.0005	-0.0014	-0.0026	-0.0047	HKD	5.1595 5.4506
						KRW	780.74 824.78
AU TWI	60.10					MYR	2.7464 2.9013
AUD/USD	0.6944	0.0005	0.0015	0.0030	0.0058	NOK	5.7430 6.0669
AUD/NZD	1.0564	0.0001	0.0002	0.0007	0.0018	SEK	6.3098 6.6658
AUD/JPY	76.12	-0.13	-0.39	-0.76	-1.51	SGD	0.8997 0.9504
AUD/EUR	0.6195	-0.0012	-0.0034	-0.0067	-0.0129	TWD	20.47 21.63
AUD/GBP	0.5379	-0.0005	-0.0013	-0.0024	-0.0041	ZAR	9.3684 9.8968
USD Index	97.51						
EUR/USD	1.1208	0.0030	0.0086	0.0172	0.0335	EQUITIES	
USD/JPY	109.63	-0.27	-0.79	-1.57	-3.06		Index
GBP/USD	1.2908	0.0021	0.0059	0.0114	0.0209	NZX50	10,070
EUR/GBP	0.8683	0.0009	0.0027	0.0056	0.0118	ASX200	6,240
						Dow Jones	25,579
						S&P 500	2,840
						FTSE100	7,242
						DAX 30	11,992
						Nikkei	21,067
						COMMODITIES	
							USD
						Dubai Light	69.64
						Brent Crude	71.15
						Gold	1,296.96
						Silver	14.80
						CRB Index	188.19
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		1.70%	1.66%	1.67%	1.65%		
90 day bank bills		1.72%	1.68%	1.65%	1.61%		
FRA 90d in 3mths		1.64%	1.61%	1.41%	1.36%		
FRA 180d in 6mths		1.58%	1.55%	1.42%	1.38%		
1 year swap*		1.63%	1.60%	1.42%	1.40%		
2 year swap*		1.60%	1.58%	1.35%	1.32%		
3 year swap*		1.61%	1.59%	1.34%	1.33%		
5 year swap*		1.72%	1.69%	1.58%	1.57%		
10 year swap*		2.10%	2.08%	1.96%	1.94%		
10 year Govt bond			1.77%		1.70%		

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

SOURCE: Bloomberg

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.