



MARKET ALERT

Thursday 16 May 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6561	0.0025
NZD/AUD	0.9474	-0.0006
NZD/JPY	71.86	-0.75
NZD/EUR	0.5856	-0.0066
NZD/GBP	0.5108	-0.0025
NZD/CNH	4.5281	0.0274
AUD/USD	0.6925	0.0031
AUD/EUR	0.6181	-0.0066
EUR/USD	1.1202	0.0170
USD/CNH	6.9022	0.0157
GBP/USD	1.2842	0.0112
EUR/GBP	0.8723	0.0056

INT RATES	NZ	Australia
OCR/Cash	1.50%	1.50%
90 day bills	1.70%	1.64%
2 year swap	1.58%	1.32%
10 year Govt	1.80%	1.69%

Soft Chinese data and yuan

Noteworthy Chinese data released yesterday fell short of market expectations. Retail sales rose 0.5% in April, pulling down the annual rise to 7.2% from 8.3% in March, below expectations for a slight lift to 8.4%. Industrial production rose 0.4% in April, resulting in an annual rise of 5.4%, down from 6.5% in March that was also below market expectations. Non-rural fixed asset investment rose 0.5% in April to be up 6.1% for the year from 6.3% in March and below expectations for a slight lift to 6.4%.

The weak data came a day after Donald Trump proclaimed how strong the US economy is and how much the US trade tariffs are hurting the Chinese economy. There was no official response to the weaker than expected data although the PBC again lifted the USD/CNY central parity rate at its daily fix from 6.8365 to 6.8649, taking this month's gains above 2% and lifting it to its highest (the yuan's weakest) in 2019.

The weaker yuan fix pushed down the NZD/USD and AUD/USD but only slightly. Again, the AUD was the weaker trans-Tasman currency.

Soft US data and a negative yield curve

US retail sales fell 0.2% in April, contrary to consensus for a 0.2% rise. Retail sales ex-autos rose 0.1%, also short of expectations (for a 0.7% rise).

The data revealed a sharp drop in car sales leading a general decline in retail sales. Offsetting the disappointing April sales, March's sales were revised upwards — total sales from 10.6% to 1.7% and ex-autos sales from 1.2% to 1.3%.

US industrial production unexpected slowed in April, falling 0.5%, contrary to consensus for a 0.1% rise. March's gain was revised from 0.1% to 0.2% but that was not enough to offset April's shortfall.

The retail sales and industrial production data are a worrying start for the current quarter's GDP and add to the US economy's vulnerability to a prolonged US-China trade dispute.

The soft data caused Treasury yields to fall with the 10 year yield dropping 3 bps to below the 3 month Treasury yield, i.e., the Fed's preferred yield curve measure has turned negative. We expect local swap rates to get another gentle shove lower today, mostly at the long end.

Remember Brexit?

The problem child that is Brexit has not gone away. Theresa May has signalled that she plans to put the withdrawal agreement bill to the House of Commons in the week beginning 3 June, when the House is due to resume after a recess that starts on 23 May (during which the European Parliament elections will be held).

Theresa May's Conservative Party is facing a crushing defeat at the European Parliament elections at the hands of Nigel Farage's Brexit Party and Donald Trump is due to make an official visit on 5 June. It is no wonder that the GBP is under downward pressure.

The GBP/USD and GBP/EUR have fallen to three month lows and the NZD/GBP has reclaimed 0.5100.

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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	72.34					CAD	0.8818 0.9308
NZD/USD	0.6561	0.0004	0.0013	0.0025	0.0044	CHF	0.6617 0.6984
NZD/AUD	0.9474	0.0000	-0.0002	-0.0006	-0.0015	CNY	4.5110 4.7615
NZD/JPY	71.86	-0.12	-0.38	-0.75	-1.52	DKK	4.3730 4.6157
NZD/EUR	0.5856	-0.0011	-0.0034	-0.0066	-0.0131	FJD	1.4186 1.4974
NZD/GBP	0.5108	-0.0005	-0.0014	-0.0025	-0.0046	HKD	5.1496 5.4355
						KRW	778.66 821.89
AU TWI	60.00					MYR	2.7405 2.8926
AUD/USD	0.6925	0.0005	0.0015	0.0031	0.0058	NOK	5.7192 6.0367
AUD/NZD	1.0555	0.0000	0.0002	0.0007	0.0017	SEK	6.2933 6.6427
AUD/JPY	75.86	-0.12	-0.39	-0.75	-1.48	SGD	0.8978 0.9476
AUD/EUR	0.6181	-0.0011	-0.0035	-0.0066	-0.0128	TWD	20.39 21.53
AUD/GBP	0.5392	-0.0005	-0.0013	-0.0023	-0.0040	ZAR	9.3304 9.8484
USD Index	97.57						
EUR/USD	1.1202	0.0029	0.0088	0.0170	0.0333	EQUITIES	
USD/JPY	109.56	-0.26	-0.80	-1.55	-3.03		Index
GBP/USD	1.2842	0.0020	0.0060	0.0112	0.0205	NZX50	10,132
EUR/GBP	0.8723	0.0009	0.0028	0.0056	0.0118	ASX200	6,284
						Dow Jones	25,649
						S&P 500	2,854
						FTSE100	7,297
						DAX 30	12,100
						Nikkei	21,189
						COMMODITIES	
							USD
						Dubai Light	69.78
						Brent Crude	71.98
						Gold	1,296.06
						Silver	14.80
						CRB Index	188.90

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.70%	1.66%	1.66%	1.64%
90 day bank bills	1.72%	1.68%	1.66%	1.62%
FRA 90d in 3mths	1.61%	1.58%	1.41%	1.36%
FRA 180d in 6mths	1.57%	1.54%	1.40%	1.36%
1 year swap*	1.61%	1.58%	1.41%	1.39%
2 year swap*	1.59%	1.56%	1.33%	1.31%
3 year swap*	1.60%	1.58%	1.33%	1.32%
5 year swap*	1.71%	1.68%	1.56%	1.55%
10 year swap*	2.11%	2.08%	1.93%	1.92%
10 year Govt bond		1.79%		1.69%

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

SOURCE: Bloomberg

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