



MARKET ALERT

Monday 17 December 2018 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6798	0.0019
NZD/AUD	0.9478	0.0001
NZD/JPY	77.01	-0.99
NZD/EUR	0.6009	-0.0078
NZD/GBP	0.5396	-0.0035
NZD/CNH	4.6892	0.0219
AUD/USD	0.7172	0.0019
AUD/EUR	0.6344	-0.0083
EUR/USD	1.1305	0.0180
USD/CNH	6.8985	0.0134
GBP/USD	1.2598	0.0116
EUR/GBP	0.8974	0.0060

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.97%	2.02%
2 year swap	2.08%	1.97%
10 year Govt	2.48%	2.46%

More weak data in China

Disappointing Chinese data on Friday refreshed concerns about the slowing pace of the Chinese economy. Retail sales in November were 8.1% up from a year ago, well below expectations for an 8.8% lift. The softer data came despite record sales on Singles Day.

Continuing the theme, industrial production in November was up 5.4% from a year ago, below expectations for 5.9%, and fixed asset investment in November was up 5.9% from a year ago, again below expectations.

Slowing growth rates for industrial production and fixed asset investment are of concern because they indicate an end to the front-loading ahead of US tariffs and hint at increasing slowing pressure on the Chinese economy.

The weaker than expected Chinese data generated a notable risk averse sentiment that caused Asian stockmarkets and currencies to fall, the JPY and USD to rise and US Treasury yields to fall. Some of those moves were unwound after official Chinese confirmation that China will remove retaliatory tariffs on US car imports (dropping them from 25% back to 10% to match the rest of the world) and is preparing to re-start purchases of US corn, perhaps as early as next month. However, there was no announcement on China's 25% retaliatory tariffs on US corn.

The Chinese data also knocked the NZD and AUD, causing the NZD/USD to drop from 0.6850 to 0.6800 and the AUD/USD from 0.7210 to 0.7180. The lesser AUD fall gave the NZD/AUD a nudge lower, from 0.9500 to 0.9460. As the day progressed, the NZD and AUD unwound some of that move but both will start the last full week of trading before Christmas under a cloud, especially against the higher yielding USD.

US data more upbeat

In contrast to the China data, US retail sales and industrial production data

was buoyant. Retail sales rose 0.2% in November, in line with expectations, but October was revised up from 0.8% to 1.1% and retail sales excluding sales at petrol stations was up 0.5% (petrol station sales were 2.3% lower over the month).

Furthermore, retail sales excluding automobiles, gasoline, building materials and food services were 0.9% higher in November after an upwardly revised 0.7% rise in October.

US industrial production rose 0.6% in November, beating expectations for a 0.3% gain and recording its biggest monthly gain in three months.

The gain though was entirely due to a 3.3% gain in utilities output as cold weather swept across the US. Also helping, mining output rose 1.7% in November on higher output by coal mines and oil and gas drillers.

Worryingly, manufacturing output was flat in November and October's 0.3% gain was revised down to a 0.1% loss. Many attribute slowing US manufacturing output to weaker global economic growth and the stronger USD.

The US data did not dent market expectations for a 25bps Fed Fund rate rise on Wednesday, although markets will be watching for a downgrade in the US interest rate outlook.

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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	74.76					CAD 0.9096	0.9597
NZD/USD	0.6798	0.0003	0.0009	0.0019	0.0039	CHF 0.6775	0.7148
NZD/AUD	0.9478	0.0000	0.0000	0.0001	-0.0003	CNY 4.6953	4.9539
NZD/JPY	77.01	-0.22	-0.52	-0.99	-1.96	DKK 4.4891	4.7363
NZD/EUR	0.6009	-0.0015	-0.0039	-0.0078	-0.0157	FJD 1.4424	1.5218
NZD/GBP	0.5396	-0.0008	-0.0018	-0.0035	-0.0066	HKD 5.3100	5.6024
						KRW 769.88	812.28
AU TWI	62.20					MYR 2.8373	2.9935
AUD/USD	0.7172	0.0003	0.0009	0.0019	0.0044	NOK 5.8601	6.1828
AUD/NZD	1.0551	0.0000	0.0000	-0.0001	0.0004	SEK 6.1602	6.4995
AUD/JPY	81.29	-0.23	-0.55	-1.04	-2.05	SGD 0.9356	0.9871
AUD/EUR	0.6344	-0.0016	-0.0041	-0.0083	-0.0163	TWD 20.97	22.13
AUD/GBP	0.5693	-0.0008	-0.0019	-0.0037	-0.0068	ZAR 9.7873	10.3263
USD Index	97.44						
EUR/USD	1.1305	0.0033	0.0088	0.0180	0.0370	EQUITIES	
USD/JPY	113.34	-0.38	-0.90	-1.75	-3.52		Index
GBP/USD	1.2598	0.0024	0.0059	0.0116	0.0229	NZX50	8,723
EUR/GBP	0.8974	0.0009	0.0028	0.0060	0.0128	ASX200	5,602
						Dow Jones	24,101
						S&P 500	2,600
						FTSE100	6,845
						DAX 30	10,866
						Nikkei	21,375
						COMMODITIES	
							USD
						Dubai Light	58.39
						Brent Crude	60.28
						Gold	1,238.40
						Silver	14.57
						CRB Index	186.64

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.91%	1.87%	1.93%	1.91%
90 day bank bills	1.99%	1.95%	2.02%	2.02%
FRA 90d in 3mths	2.02%	1.98%	1.99%	1.94%
FRA 180d in 6mths	2.04%	2.01%	2.09%	2.05%
1 year swap*	2.05%	2.01%	1.97%	1.94%
2 year swap*	2.09%	2.07%	1.98%	1.95%
3 year swap*	2.18%	2.16%	2.04%	2.01%
5 year swap*	2.37%	2.35%	2.35%	2.31%
10 year swap*	2.79%	2.76%	2.66%	2.65%
10 year Govt bond		2.47%		2.46%

* Semi-annual rate resets except AU 1,2,3 yr quarterly

SOURCE: Bloomberg

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