



MARKET ALERT

Thursday 18 April 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6721	0.0026
NZD/AUD	0.9372	0.0000
NZD/JPY	75.32	-0.81
NZD/EUR	0.5948	-0.0068
NZD/GBP	0.5153	-0.0026
NZD/CNH	4.4872	0.0225
AUD/USD	0.7171	0.0028
AUD/EUR	0.6346	-0.0072
EUR/USD	1.1300	0.0175
USD/CNH	6.6768	0.0074
GBP/USD	1.3042	0.0117
EUR/GBP	0.8664	0.0056

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.77%	1.69%
2 year swap	1.65%	1.51%
10 year Govt	1.98%	1.96%

No inflation here, move along please

The New Zealand CPI rose 0.1% over the March quarter, the same as in December and below consensus and RBNZ expectations. Annual CPI fell from 1.9% in December to 1.5% in March.

Lower petrol prices over the March quarter swamped the annual increase in the tobacco tax and higher food prices. Tradables inflation fell 1.3% over the March quarter (after falling 0.4% in the December quarter, also because of lower

petrol prices), generating a 0.4% fall over the year, a turnaround from December's 0.9% rise. Non-tradables inflation rose 1.1% over the March quarter, after rising 0.7% in December, taking the annual rise to 2.8% from 2.7% in December.

The RBNZ's underlying measures also reported lower inflation. The Factor Model rose 1.7% over the March year, from 1.9% over the December year, and the Sectoral Factor Model rose 1.7% over the March year, the same as December. How the RBNZ responds to the inflation data will depend on how it assesses falling tradables inflation over the past two quarters and its outlook for petrol prices (which have risen over the past month).

The lower than expected headline CPI numbers emboldened local markets about an OCR cut at the May MPS and caused the NZD and local swap rates to fall. Markets now give an OCR cut next month a better than a 50:50 call, from 28% beforehand, and fully price in an OCR cut in August (from November beforehand).

The NZD/USD instantly dropped 95 points but recovered about 20 of those. The NZD/AUD dropped the same but did not rebound. Yesterday afternoon the NZD/USD benefited from strong Chinese data yesterday afternoon and weak inflation data elsewhere but the NZD/AUD still crept downward. The TWI is 0.7% lower than 24 hours ago.

Chinese stimulus shows signs of success

China's GDP rose 1.4% over the March quarter, to be up 6.4% for the year, the same as in December. Retail sales in March were 8.7% higher than a year earlier, from 8.2% in February. Industrial production in March was 8.5% higher than a year ago, from 5.3% in February. Non-rural fixed asset investment in March was 6.3% higher than a year ago, from 6.1% in February. Urban unemployment fell from 5.3% in February to 5.2% in March (cementing a level below the government's official target of 5.5% for 2019). Each of those numbers bettered market expectations, except for the last two that matched expectations.

Markets saw the upbeat numbers as signs of successful government stimulus, a turnaround in the Chinese economy and good news for Asian and commodity currencies — with the AUD as the biggest winner on the day.

Inflation is low everywhere

UK headline and core CPI rose 1.4% and 1.8% respectively over the March year. Eurozone core and headline CPI rose 1.4% and 0.8% respectively over the March year. Canadian CPI rose 1.9% over the February year. Each of those countries' central banks targets inflation at 2.0% — so it's a fail all round.

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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	72.91					CAD	0.8966	0.9567
NZD/USD	0.6721	0.0004	0.0013	0.0026	0.0050	CHF	0.6791	0.7246
NZD/AUD	0.9372	-0.0001	0.0000	0.0000	-0.0006	CNY	4.4946	4.7957
NZD/JPY	75.32	-0.14	-0.40	-0.81	-1.64	DKK	4.4401	4.7376
NZD/EUR	0.5948	-0.0012	-0.0035	-0.0068	-0.0136	FJD	1.4328	1.5288
NZD/GBP	0.5153	-0.0005	-0.0014	-0.0026	-0.0049	HKD	5.2725	5.6258
						KRW	760.80	811.78
AU TWI	61.50					MYR	2.7874	2.9741
AUD/USD	0.7171	0.0005	0.0013	0.0028	0.0058	NOK	5.7056	6.0879
AUD/NZD	1.0670	0.0001	0.0000	0.0000	0.0007	SEK	6.2127	6.6289
AUD/JPY	80.39	-0.14	-0.43	-0.86	-1.70	SGD	0.9091	0.9700
AUD/EUR	0.6346	-0.0012	-0.0037	-0.0072	-0.0141	TWD	20.69	22.07
AUD/GBP	0.5498	-0.0005	-0.0015	-0.0028	-0.0049	ZAR	9.4007	10.0306
USD Index	97.00					EQUITIES		
EUR/USD	1.1300	0.0029	0.0088	0.0175	0.0351		Index	
USD/JPY	112.11	-0.27	-0.81	-1.63	-3.26	NZX50	9,982	
GBP/USD	1.3042	0.0020	0.0060	0.0117	0.0224	ASX200	6,256	
EUR/GBP	0.8664	0.0009	0.0027	0.0056	0.0118	Dow Jones	26,478	
						S&P 500	2,901	
						FTSE100	7,471	
						DAX 30	12,153	
						Nikkei	22,278	
						COMMODITIES		
							USD	
						Dubai Light	71.04	
						Brent Crude	71.63	
						Gold	1,273.89	
						Silver	14.98	
						CRB Index	194.75	

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.83%	1.79%	1.70%	1.68%
90 day bank bills	1.79%	1.75%	1.71%	1.67%
FRA 90d in 3mths	1.70%	1.67%	1.61%	1.56%
FRA 180d in 6mths	1.67%	1.62%	1.60%	1.56%
1 year swap*	1.74%	1.70%	1.57%	1.55%
2 year swap*	1.66%	1.64%	1.51%	1.50%
3 year swap*	1.69%	1.66%	1.53%	1.52%
5 year swap*	1.83%	1.80%	1.79%	1.78%
10 year swap*	2.28%	2.25%	2.19%	2.18%
10 year Govt bond		1.96%		1.96%

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

SOURCE: Bloomberg

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