



# MARKET ALERT

Wednesday 19 December 2018 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6849	0.0020
NZD/AUD	0.9546	0.0001
NZD/JPY	77.06	-0.97
NZD/EUR	0.6021	-0.0078
NZD/GBP	0.5417	-0.0033
NZD/CNH	4.7206	0.0192
AUD/USD	0.7175	0.0020
AUD/EUR	0.6308	-0.0082
EUR/USD	1.1373	0.0182
USD/CNH	6.8931	0.0083
GBP/USD	1.2642	0.0114
EUR/GBP	0.8996	0.0063

  

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.97%	2.03%
2 year swap	2.06%	1.95%
10 year Govt	2.46%	2.42%

## Confidence returns with the sun

Whether it's that the sun is shining or the holiday break is around the corner, New Zealand's businesses are feeling rosier. In fact, they are feeling the rosiest since April.

The ANZ Business Outlook's headline business confidence measure recorded a 13 point improvement from last month, from a net 37.1% to a net 24.1% expecting conditions to worsen in the next 12 months. Better yet, businesses' view of how they will fare in the next 12 months lifted from a net 7.6% optimistic to a net 13.6% optimistic.

There was also an improvement in firms' expectations for ease of credit, despite everything going on in the banking sector. Last month, 31.1% of firms believed that it will become more difficult to obtain credit, which trimmed to 19.0% this month. The RBNZ's easing of LVR rules may be feeding through but news last week that the RBNZ will require banks to hold more Tier 1 capital will likely make credit more difficult to obtain, or at least more expensive.

In contrast to New Zealand, the ifo Institute's survey of German business confidence reported a much larger than expected fall in every one of the survey's confidence measures. The headline Business Climate Index fell for the fourth straight month, from 102.0 in November to 101.0 in December, its lowest level in over two years. The fall in German business confidence has been blamed on Brexit, slowing growth in China and trade disputes.

The NZD gained across the board on the Business Outlook release. The NZD/USD quickly lifted 50 pips and dragged the AUD/USD higher. The NZD outperformed just about every other currency as the NZD stepped into the spotlight just as markets sought out risk.

## Dairy prices up again

Overall prices at this morning's GDT auction were up 1.7% from the previous auction, with notable gains by Anhydrous

Milk Fat, Butter and Skim Milk Powder. The key Whole Milk Powder price was up a meagre 0.3%, although the gain is significant given increased supply and falling commodity prices elsewhere.

Despite the positive GDT auction results, the NZD gave back some of yesterday's gains overnight as commodity currencies weakened in the face of another sharp drop in oil prices. The downward pressure hit all commodity currencies but hurt the CAD and NOK the worst. The NZD/CAD is up over 10% since the October low.

## RBA's cash rate set in concrete

The minutes of the RBA's 4 December meeting contained nothing new. The key message was in the final paragraph.

Because the current cash rate is stimulatory for growth, employment and inflation, *"the next move in the cash rate was more likely to be an increase than a decrease, but that there was no strong case for a near-term adjustment in monetary policy."*

The minutes noted three times in the final paragraph that the cash rate will be here for a long while.

The AUD fell after the release of the minutes, with the AUD/USD retreating from its NZD assisted lift above 0.7200. The NZD/AUD is close to an eighteen month high.

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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	75.04					<b>CAD</b> 0.9230	0.9669
NZD/USD	0.6849	0.0003	0.0009	0.0020	0.0040	<b>CHF</b> 0.6795	0.7119
NZD/AUD	0.9546	0.0000	0.0001	0.0001	0.0000	<b>CNY</b> 4.7220	4.9468
NZD/JPY	77.06	-0.23	-0.51	-0.97	-1.93	<b>DKK</b> 4.4966	4.7106
NZD/EUR	0.6021	-0.0016	-0.0039	-0.0078	-0.0156	<b>FJD</b> 1.4579	1.5273
NZD/GBP	0.5417	-0.0008	-0.0017	-0.0033	-0.0062	<b>HKD</b> 5.3554	5.6103
						<b>KRW</b> 771.71	808.45
AU TWI	62.20					<b>MYR</b> 2.8719	3.0086
AUD/USD	0.7175	0.0004	0.0009	0.0020	0.0042	<b>NOK</b> 5.9681	6.2523
AUD/NZD	1.0476	0.0000	-0.0001	-0.0002	0.0000	<b>SEK</b> 6.2053	6.5007
AUD/JPY	80.74	-0.24	-0.54	-1.02	-2.02	<b>SGD</b> 0.9388	0.9834
AUD/EUR	0.6308	-0.0017	-0.0041	-0.0082	-0.0163	<b>TWD</b> 21.10	22.10
AUD/GBP	0.5675	-0.0008	-0.0019	-0.0035	-0.0065	<b>ZAR</b> 9.8094	10.2765
USD Index	97.07						
EUR/USD	1.1373	0.0036	0.0090	0.0182	0.0369	<b>EQUITIES</b>	
USD/JPY	112.54	-0.39	-0.90	-1.73	-3.45		<b>Index</b>
GBP/USD	1.2642	0.0024	0.0058	0.0114	0.0221	<b>NZX50</b>	8,688
EUR/GBP	0.8996	0.0012	0.0030	0.0063	0.0132	<b>ASX200</b>	5,589
						<b>Dow Jones</b>	23,804
						<b>S&amp;P 500</b>	2,565
						<b>FTSE100</b>	6,702
						<b>DAX 30</b>	10,741
						<b>Nikkei</b>	21,115
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	56.10
						<b>Brent Crude</b>	57.37
						<b>Gold</b>	1,248.52
						<b>Silver</b>	14.63
						<b>CRB Index</b>	181.63

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.89%	1.85%	1.96%	1.94%
90 day bank bills	1.99%	1.95%	2.03%	2.03%
FRA 90d in 3mths	2.01%	1.99%	1.97%	1.92%
FRA 180d in 6mths	2.03%	2.00%	2.08%	2.04%
1 year swap*	2.04%	1.96%	1.97%	1.93%
2 year swap*	2.08%	2.05%	1.96%	1.94%
3 year swap*	2.17%	2.09%	2.01%	2.00%
5 year swap*	2.37%	2.29%	2.31%	2.30%
10 year swap*	2.77%	2.74%	2.64%	2.64%
10 year Govt bond		2.44%		2.42%

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

SOURCE: Bloomberg

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