



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 21 December 2018 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6781	0.0021
NZD/AUD	0.9532	0.0003
NZD/JPY	75.28	-0.92
NZD/EUR	0.5910	-0.0076
NZD/GBP	0.5344	-0.0032
NZD/CNH	4.6733	0.0155
AUD/USD	0.7114	0.0020
AUD/EUR	0.6201	-0.0081
EUR/USD	1.1472	0.0185
USD/CNH	6.8928	0.0011
GBP/USD	1.2687	0.0116
EUR/GBP	0.9042	0.0063

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.97%	2.05%
2 year swap	1.97%	1.92%
10 year Govt	2.34%	2.34%

New Zealand GDP disappoints

New Zealand GDP rose 0.3% over the September quarter, well down on market consensus and RBNZ forecasts of 0.5% and 0.7% respectively and the lowest quarterly rise since December 2013.

Primary industries (dairy, meat, fruit etc.) recorded the biggest quarterly gains in growth (up 2.2%). The big drag came from goods producing industries, down 1.0% over the quarter led by lower manufacturing activity (food manufacturing, construction and the

electricity, gas, water and waste services category).

GDP per capita was unchanged over the September quarter, the same as in March and down from 0.5% in June, resulting in the annual GDP per capita rate falling from 1.2% in June to 0.7% in September.

Both annual GDP measures fell — the quarter on quarter comparison fell from 3.0% in June (revised up from 2.8%) to 2.6%, and the annual GDP measure quoted by the RBNZ and Treasury (GDP over the September year compared to the previous September year) eased from 3.1% in June to 3.0% in September.

New Zealand's annual economic growth, though falling, looks to be settling into a 2.50% to 3.00% range. Most of the world is doing much worse! Nevertheless, any more data like the GDP outcome and the RBNZ would be justified in shifting the timing of the first OCR rise into 2021. Before yesterday's end, one local bank was predicting OCR cuts in 2019 and 2020, taking the OCR to 1.00%.

Following the GDP data, local interest rates fell dramatically. Swap rates 3 years and beyond ended yesterday at their lowest since October 2016. The 2-10 years swaps spread closed at 0.68%, also its lowest since October 2016.

The disappointing GDP numbers came soon after the NZD/USD's fall due to the USD's post-FOMC surge. Until then, NZD crossrates had held up despite the lower NZD/USD, but the disappointing GDP numbers pushed the NZD lower across the board. The NZD rebounded overnight as markets recognised New Zealand's relatively positive economic performance and the USD suffered because it seems that Donald Trump will send the US government into a partial shutdown over funding for his Mexico border wall.

Good Australian labour markets data

Australia added 37,000 jobs in November but the bias was heavily towards part-time jobs that rose by 43,400 while full-time jobs fell by 6,400. The unemployment rate rose from 5.0% in October to 5.1% in November but that was due to a higher participation rate that went from 65.5% in October to 65.7% in November.

November's labour market data was not as upbeat as the previous two months but it was still good, on balance, and consistent with Australia's improving jobs situations. The data gave the AUD a boost that halted a fall induced by the USD surge and NZD fall. The NZD/AUD is still holding above 0.9500.

Merry Christmas — we wish you and your families a Meri Kirihimete.

Today's Market Alert is the last for 2018, and it will resume on Monday 14 January 2019. The contact phone number for this office during Christmas New Year period is 09-912 7600.

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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	74.23					CAD	0.9163 0.9612
NZD/USD	0.6781	0.0004	0.0010	0.0021	0.0044	CHF	0.6693 0.7022
NZD/AUD	0.9532	0.0001	0.0002	0.0003	0.0004	CNY	4.6683 4.8975
NZD/JPY	75.28	-0.20	-0.47	-0.92	-1.84	DKK	4.4129 4.6295
NZD/EUR	0.5910	-0.0014	-0.0038	-0.0076	-0.0151	FJD	1.4444 1.5153
NZD/GBP	0.5344	-0.0007	-0.0017	-0.0032	-0.0061	HKD	5.3083 5.5689
						KRW	761.26 798.64
AU TWI	61.40					MYR	2.8234 2.9620
AUD/USD	0.7114	0.0003	0.0010	0.0020	0.0043	NOK	5.8794 6.1680
AUD/NZD	1.0491	-0.0001	-0.0002	-0.0003	-0.0004	SEK	6.0822 6.3808
AUD/JPY	78.98	-0.21	-0.51	-0.99	-1.96	SGD	0.9287 0.9743
AUD/EUR	0.6201	-0.0015	-0.0041	-0.0081	-0.0161	TWD	20.86 21.88
AUD/GBP	0.5607	-0.0008	-0.0019	-0.0035	-0.0066	ZAR	9.7255 10.2029
USD Index	96.26						
EUR/USD	1.1472	0.0034	0.0092	0.0185	0.0377		
USD/JPY	111.04	-0.35	-0.86	-1.70	-3.40		
GBP/USD	1.2687	0.0023	0.0060	0.0116	0.0229		
EUR/GBP	0.9042	0.0010	0.0030	0.0063	0.0132		
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		1.88%	1.84%	2.00%	1.98%		
90 day bank bills		1.99%	1.95%	2.05%	2.05%		
FRA 90d in 3mths		1.98%	1.96%	1.96%	1.91%		
FRA 180d in 6mths		1.96%	1.94%	2.05%	2.01%		
1 year swap*		2.03%	1.99%	1.96%	1.93%		
2 year swap*		1.99%	1.91%	1.93%	1.91%		
3 year swap*		2.07%	1.99%	1.96%	1.95%		
5 year swap*		2.24%	2.16%	2.26%	2.25%		
10 year swap*		2.68%	2.65%	2.59%	2.58%		
10 year Govt bond			2.32%		2.34%		

EQUITIES	
	Index
NZX50	8,772
ASX200	5,506
Dow Jones	22,873
S&P 500	2,471
FTSE100	6,712
DAX 30	10,611
Nikkei	20,393

COMMODITIES	
	USD
Dubai Light	53.84
Brent Crude	54.72
Gold	1,264.17
Silver	14.78
CRB Index	179.54

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

SOURCE: Bloomberg

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