



# MARKET ALERT

Monday 3 December 2018 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6921	0.0023
NZD/AUD	0.9379	0.0000
NZD/JPY	78.75	-0.98
NZD/EUR	0.6092	-0.0079
NZD/GBP	0.5412	-0.0033
NZD/CNH	4.7761	0.0374
AUD/USD	0.7378	0.0024
AUD/EUR	0.6495	-0.0084
EUR/USD	1.1358	0.0187
USD/CNH	6.9024	0.0314
GBP/USD	1.2794	0.0121
EUR/GBP	0.8878	0.0062

  

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.98%	1.95%
2 year swap	2.08%	2.02%
10 year Govt	2.56%	2.59%

## Truce or cease fire?

At the G20 summit over the weekend, US President Donald Trump and Chinese President Xi Jinping agreed to halt hostilities on the trade front.

The US won't implement the planned increase in tariffs on USD200 billion of Chinese goods (previously slated to lift from 10% to 25% in 1 January), and China agreed to buy a "very substantial" amount of agricultural, energy and industrial goods from the US and to give US companies greater access to Chinese markets.

However, the deal is not permanent but only puts the US-China trade dispute into a holding pattern for 90 days while they negotiate not only a trade deal but also an agreement on other sensitive issues relating to intellectual property, transfer of technology.

Sounds more like a cease fire than a truce. Nevertheless, the deal represents progress in the US-China trade dispute, which markets will likely take as reducing economic and geopolitical risk. Such a shift in risk appetite will likely give the USD a nudge lower and the likes of the NZD and AUD a nudge higher, although a lot of that happened on Friday as markets positioned for a favourable US-China outcome, lifting the NZD/USD closer to 0.6900 and the AUD/USD closer to 0.7400.

## Brexit talk

The war of words is heating up ahead of the vote on Prime Minister, Theresa May's, Brexit plan in the UK parliament on 11th December. Even the bookies are getting in on the act, offering long odds (5 to 1) of May being able to get the vote over the line.

Pro-deal cabinet member, Michael Gove, has warned that there could be another Brexit referendum if MPs do not vote for the deal. He went so far as to suggest there might even be majority support for a second referendum in the House of Commons. "If we don't vote for this, the

alternatives are no deal or no Brexit," Gove said.

EC President, Donald Tusk, echoed that sentiment with his comments that it was either this deal or no deal. He said that this deal would provide an "orderly divorce."

Meanwhile, on the other side of the aisle, opposition Labour has said it would seek a vote of no confidence in Theresa May's government if she loses the vote. That would trigger a general election, with Labour likely to run on a platform of remaining in the EU.

## US 10 year Treasury yield below 3.00%

Despite the increasing likelihood of a favourable outcome from talks between Donald Trump and Xi Jinping over the weekend and resultant increased investor risk appetite, Treasury yields fell again on Friday. Significantly, the 10 year Treasury yield closed the week at 2.99%.

The drop reflects signs of weakening US economic growth and inflation and comments last week from Fed Chair, Jerome Powell, acknowledging that the current Fed Funds rate is "just below" its neutral level, which was a change in tone from early October when he observed that the Fed Funds rate was "a long way" from neutral.

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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	75.36					<b>CAD</b>	0.9162 0.9768
NZD/USD	0.6921	0.0004	0.0010	0.0023	0.0049	<b>CHF</b>	0.6902 0.7359
NZD/AUD	0.9379	0.0000	0.0000	0.0000	0.0000	<b>CNY</b>	4.7865 5.1034
NZD/JPY	78.75	-0.22	-0.52	-0.98	-1.96	<b>DKK</b>	4.5467 4.8477
NZD/EUR	0.6092	-0.0016	-0.0040	-0.0079	-0.0157	<b>FJD</b>	1.4536 1.5498
NZD/GBP	0.5412	-0.0008	-0.0018	-0.0033	-0.0062	<b>HKD</b>	5.4143 5.7728
						<b>KRW</b>	770.39 821.40
AU TWI	63.30					<b>MYR</b>	2.8761 3.0665
AUD/USD	0.7378	0.0004	0.0011	0.0024	0.0051	<b>NOK</b>	5.9341 6.3270
AUD/NZD	1.0662	0.0000	0.0000	0.0000	-0.0001	<b>SEK</b>	6.2784 6.6941
AUD/JPY	83.98	-0.23	-0.55	-1.05	-2.09	<b>SGD</b>	0.9473 1.0100
AUD/EUR	0.6495	-0.0017	-0.0043	-0.0084	-0.0168	<b>TWD</b>	21.22 22.63
AUD/GBP	0.5766	-0.0008	-0.0019	-0.0035	-0.0066	<b>ZAR</b>	9.5984 10.2339
USD Index	97.27						
EUR/USD	1.1358	0.0037	0.0093	0.0187	0.0382	<b>EQUITIES</b>	
USD/JPY	113.83	-0.37	-0.92	-1.79	-3.60		<b>Index</b>
GBP/USD	1.2794	0.0025	0.0061	0.0121	0.0238	<b>NZX50</b>	8,824
EUR/GBP	0.8878	0.0011	0.0030	0.0062	0.0131	<b>ASX200</b>	5,667
						<b>Dow Jones</b>	25,538
						<b>S&amp;P 500</b>	2,760
						<b>FTSE100</b>	6,980
						<b>DAX 30</b>	11,257
						<b>Nikkei</b>	22,351
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	58.57
						<b>Brent Crude</b>	59.46
						<b>Gold</b>	1,222.40
						<b>Silver</b>	14.18
						<b>CRB Index</b>	187.94

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.93%	1.89%	1.89%	1.87%
90 day bank bills	2.00%	1.96%	1.95%	1.95%
FRA 90d in 3mths	1.97%	1.95%	1.95%	1.90%
FRA 180d in 6mths	2.05%	2.02%	2.13%	2.09%
1 year swap*	2.02%	1.98%	1.96%	1.94%
2 year swap*	2.12%	2.04%	2.03%	2.01%
3 year swap*	2.23%	2.15%	2.12%	2.10%
5 year swap*	2.46%	2.38%	2.46%	2.42%
10 year swap*	2.91%	2.83%	2.78%	2.78%
10 year Govt bond		2.55%		2.59%

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

SOURCE: Bloomberg

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