



MARKET ALERT

Wednesday 5 December 2018 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6930	0.0023
NZD/AUD	0.9441	0.0000
NZD/JPY	78.06	-0.99
NZD/EUR	0.6112	-0.0079
NZD/GBP	0.5447	-0.0034
NZD/CNH	4.7452	0.0305
AUD/USD	0.7341	0.0025
AUD/EUR	0.6475	-0.0084
EUR/USD	1.1338	0.0187
USD/CNH	6.8483	0.0213
GBP/USD	1.2722	0.0121
EUR/GBP	0.8912	0.0061

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.97%	1.97%
2 year swap	2.08%	1.99%
10 year Govt	2.52%	2.53%

Brexit gets uglier

For the first time ever (and that's going back a long way), the UK parliament overnight passed a vote to hold the government in contempt. The vote was because Prime Minister, Theresa May's government refused to publish the full legal advice on its Brexit deal.

Significantly, the motion had the support of the Northern Ireland Democratic Union Party who is a crucial ally for Theresa May's government but opposes any hard border between the two Irelands.

Theresa May's government has since promised to release the legal report but the damage has been done.

Also overnight, BoE Governor, Mark Carney, addressing the UK parliament, defended criticism of fear mongering because of the BoE's analysis that a 'no deal' Brexit would cause a severe recession in the UK, worse than that seen immediately after the GFC.

Carney also warned that UK ports were not ready to deal with a disorderly Brexit, whereby the UK would revert to the trade rules set by the WTO.

The GBP fell across the board. UK gilt yields also fell, with the 10 year gilt yield recording its lowest close since September 2017. The GBP/USD fell to a 17 month low, pushed down further by a resurgent USD overnight.

The NZD/GBP hit 0.5470 overnight, its highest level since September 2017. The AUD again lagged the NZD, with the AUD/GBP failing to rise above 0.5800 for the second day.

Cracks in US-China deal

Donald Trump tweets overnight have poured cold water on markets post G20 enthusiasm. Trump tweeted that a deal "probably will" happen even if they need an extension to the 90 day time line. Then he added (ominously) "but if not remember, I am a Tariff man. When people or countries come in to raid the great wealth

of our Nation, I want them to pay for the privilege of doing so. It will always be the best way to max out or economic power."

These tweets contrast with Trump's enthusiasm after his meeting with the Chinese President last weekend.

Trumps tweets unsettled markets already nervous about the US-China trade cease fire.

US stockmarkets fell (more than 2.5% so far), as have Treasury yields, while the USD rose. The 10 year Treasury yield is down 8 bps from the previous day's close, to 2.90%, its lowest level since early September.

Dairy prices bounce a little

The stronger USD pushed down the NZD/USD and AUD/USD, with the NZD again the better performer and no doubt helped by higher dairy prices.

The overnight GDT auction recorded a 2.2% rise in the GDT Price Index, its first rise in six months, and a 2.5% rise in the Whole Milk Powder Price. Markets expect Fonterra to announce an update to this season's forecast Farmgate Milk Price within the week.

The lower US Treasury yields are sure to give local swap rates another nudge lower this morning.

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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	75.37					CAD	0.9180 0.9724
NZD/USD	0.6930	0.0003	0.0010	0.0023	0.0049	CHF	0.6912 0.7321
NZD/AUD	0.9441	-0.0001	-0.0001	0.0000	-0.0001	CNY	4.7366 5.0173
NZD/JPY	78.06	-0.25	-0.54	-0.99	-1.97	DKK	4.5611 4.8314
NZD/EUR	0.6112	-0.0017	-0.0041	-0.0079	-0.0158	FJD	1.4590 1.5455
NZD/GBP	0.5447	-0.0009	-0.0018	-0.0034	-0.0063	HKD	5.4068 5.7272
						KRW	770.74 816.42
AU TWI	63.40					MYR	2.8884 3.0595
AUD/USD	0.7341	0.0004	0.0012	0.0025	0.0052	NOK	5.8967 6.2462
AUD/NZD	1.0593	0.0001	0.0001	0.0000	0.0001	SEK	6.2538 6.6244
AUD/JPY	82.69	-0.25	-0.56	-1.05	-2.08	SGD	0.9456 1.0016
AUD/EUR	0.6475	-0.0018	-0.0042	-0.0084	-0.0166	TWD	21.32 22.58
AUD/GBP	0.5770	-0.0009	-0.0019	-0.0035	-0.0067	ZAR	9.5948 10.1634
USD Index	96.94						
EUR/USD	1.1338	0.0038	0.0093	0.0187	0.0381	EQUITIES	
USD/JPY	112.65	-0.41	-0.94	-1.80	-3.61		Index
GBP/USD	1.2722	0.0027	0.0062	0.0121	0.0240	NZX50	8,866
EUR/GBP	0.8912	0.0011	0.0029	0.0061	0.0129	ASX200	5,713
						Dow Jones	25,072
						S&P 500	2,716
						FTSE100	7,023
						DAX 30	11,335
						Nikkei	22,036
						COMMODITIES	
							USD
						Dubai Light	62.15
						Brent Crude	61.97
						Gold	1,239.63
						Silver	14.52
						CRB Index	190.59
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		1.92%	1.88%	1.90%	1.88%		
90 day bank bills		1.99%	1.95%	1.97%	1.97%		
FRA 90d in 3mths		1.97%	1.96%	1.96%	1.91%		
FRA 180d in 6mths		2.05%	2.02%	2.11%	2.07%		
1 year swap*		2.00%	1.97%	1.96%	1.95%		
2 year swap*		2.10%	2.07%	2.00%	1.98%		
3 year swap*		2.20%	2.17%	2.08%	2.06%		
5 year swap*		2.44%	2.40%	2.39%	2.38%		
10 year swap*		2.88%	2.85%	2.71%	2.71%		
10 year Govt bond			2.50%		2.53%		

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

SOURCE: Bloomberg

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