



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Tuesday 5 February 2019 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6879	0.0023
NZD/AUD	0.9527	0.0007
NZD/JPY	75.56	-0.87
NZD/EUR	0.6016	-0.0073
NZD/GBP	0.5272	-0.0030
NZD/CNH	4.6641	0.0133
AUD/USD	0.7221	0.0018
AUD/EUR	0.6316	-0.0081
EUR/USD	1.1433	0.0179
USD/CNH	6.7800	-0.0030
GBP/USD	1.3048	0.0118
EUR/GBP	0.8762	0.0057

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.92%	2.04%
2 year swap	1.92%	1.87%

Australian banks and insurance report

The release of the final report of the Australian Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry late yesterday damned the sales culture and governance aspects within the Australian banking and insurance industries.

One of the report's key findings is that *"there can be no doubt that the primary responsibility for misconduct in the financial services industry lies with the entities concerned and those who managed and controlled those entities: their boards and*

senior management" and *"nothing that is said in this report should be understood as diminishing that responsibility."*

A key recommendation is that commissions, including mortgage broking, financial planning and insurance sales, should be eliminated. More than half of all home loans are written through brokers and many smaller financial institutions that rely on brokers for almost all their loan origination.

The Commissioner, Kenneth Hayne, also referred several institutions to ASIC, the sector regulator, for possible criminal charges although he declined to name those that might face prosecution.

The AUD fell and swap rates rose after the report's release, reflecting a slightly higher Australian risk premium. The report will have a long lasting and deep impact on the Australian banking and insurance industries and could reduce the existing Federal government's re-election chances in the general election that must be held before mid May.

Given the dominance of Australian banks in New Zealand, there will be an impact on this side of the Tasman. A likely consequence is banks passing on their higher compliance and governance costs in the form of higher bank fees and margins, on both sides of the Tasman, in addition to lending practices.

Australian attention now turns to today's RBA meeting although nothing new is expected.

Business as usual elsewhere

The slow return of the US government back to work continues to hamper US data releases, which places the spotlight on and exaggerates the impact of otherwise secondary data. A case in point was Eurozone data yesterday.

Eurozone PPI fell 0.8% in December, after a fall of 0.3% in November, more than the 0.5% fall expected and the biggest monthly fall since January 2016. The main contributor was a 2.6% fall in energy prices. On an annual basis, PPI fell 3.0% in December, down from 4.0% in November. Although still high, the annual PPI rise has fallen dramatically in recent months, which hints at falling inflation threats in the Eurozone — a worrying trend for the ECB.

The Sentix Eurozone investor confidence survey reported a drop in its headline confidence index, from -1.5 in January to -3.7 in February — its lowest reading since November 2014. The survey's investor confidence index for Germany, although still positive, fell for the fourth straight month.

The weak Eurozone data and lingering US positivity from Friday's labour market data helped the USD and Treasury yields continue their weekend's rises. That pushed down the NZD/USD and AUD/USD that were already under a little negative pressure from the Royal Commission's report.

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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	74.43					CAD	0.9035 0.9483
NZD/USD	0.6879	0.0004	0.0012	0.0023	0.0043	CHF	0.6865 0.7205
NZD/AUD	0.9527	0.0002	0.0005	0.0007	0.0008	CNY	4.6395 4.8698
NZD/JPY	75.56	-0.12	-0.43	-0.87	-1.83	DKK	4.4911 4.7141
NZD/EUR	0.6016	-0.0010	-0.0035	-0.0073	-0.0150	FJD	1.4528 1.5249
NZD/GBP	0.5272	-0.0004	-0.0015	-0.0030	-0.0059	HKD	5.3976 5.6656
						KRW	770.42 808.67
AU TWI	61.50					MYR	2.8249 2.9651
AUD/USD	0.7221	0.0003	0.0009	0.0018	0.0039	NOK	5.8253 6.1145
AUD/NZD	1.0496	-0.0002	-0.0005	-0.0008	-0.0009	SEK	6.2626 6.5735
AUD/JPY	79.33	-0.14	-0.49	-0.97	-1.98	SGD	0.9308 0.9770
AUD/EUR	0.6316	-0.0012	-0.0040	-0.0081	-0.0162	TWD	21.18 22.23
AUD/GBP	0.5534	-0.0006	-0.0018	-0.0036	-0.0067	ZAR	9.2419 9.7007
USD Index	95.87						
EUR/USD	1.1433	0.0027	0.0088	0.0179	0.0365	EQUITIES	
USD/JPY	109.87	-0.24	-0.81	-1.62	-3.33		Index
GBP/USD	1.3048	0.0019	0.0060	0.0118	0.0231	NZX50	8,979
EUR/GBP	0.8762	0.0008	0.0027	0.0057	0.0123	ASX200	5,891
						Dow Jones	25,147
						S&P 500	2,716
						FTSE100	7,034
						DAX 30	11,177
						Nikkei	20,884
						COMMODITIES	
							USD
						Dubai Light	62.94
						Brent Crude	62.54
						Gold	1,313.57
						Silver	15.87
						CRB Index	187.70

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.87%	1.83%	2.02%	2.00%
90 day bank bills	1.94%	1.90%	2.05%	2.03%
FRA 90d in 3mths	1.92%	1.91%	1.95%	1.90%
FRA 180d in 6mths	1.91%	1.88%	2.02%	1.98%
1 year swap*	1.94%	1.91%	1.93%	1.91%
2 year swap*	1.94%	1.91%	1.88%	1.86%
3 year swap*	1.97%	1.94%	1.89%	1.87%
5 year swap*	2.11%	2.08%	2.15%	2.14%
10 year swap*	2.53%	2.51%	2.50%	2.48%
10 year Govt bond		2.17%		2.23%

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

SOURCE: Bloomberg

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