



MARKET ALERT

Monday 5 November 2018 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6639	0.0017
NZD/AUD	0.9230	-0.0002
NZD/JPY	75.15	-0.98
NZD/EUR	0.5821	-0.0079
NZD/GBP	0.5089	-0.0033
NZD/CNH	4.5795	0.0324
AUD/USD	0.7189	0.0020
AUD/EUR	0.6305	-0.0085
EUR/USD	1.1402	0.0187
USD/CNH	6.8968	0.0313
GBP/USD	1.3041	0.0119
EUR/GBP	0.8744	0.0063

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.94%	1.93%
2 year swap	2.06%	2.08%
10 year Govt	2.58%	2.69%

Strong US labour market

US non-farm payrolls increased by 250,000 in October, beating market expectations for a gain of around 190,000 despite an estimated 198,000 not at work due to bad weather (hurricanes). The previous two months' non-farm payrolls gains were revised but they offset each other resulting in the net unchanged outcome.

The unemployment rate was unchanged in October, at 3.7% despite a rise in the participation rate from 62.7% to 62.9%, which indicated that people entering the workforce found jobs in October. Private sector average hourly earnings in

October were 3.1% higher than a year ago, from 2.8% in September and the highest annual rise in nine years.

The breadth of jobs creation was again solid, which together with strong wages growth provides reassurance to the Fed and markets that the US economy is on a sound footing. Trump proudly tweeted the job gains, which was not surprising given the Congressional mid-term elections are being held tomorrow.

The labour market data, especially the solid earnings growth, caused the USD and Treasury yields to rise, the latter more so despite the commencement of a new round of US sanctions against Iran from today. Despite the good labour market news, US sharemarkets ended lower on Friday because of worries about the US-China trade dispute, sanctions on Iran and the outcome of the mid-term elections.

The stronger USD caused the NZD/USD and AUD/USD to lose some ground but they only gave back Friday's earlier gains and still recorded a solid rise over the week. Significantly, the NZD and AUD out-performed their other major cross-rates, with the NZD the better trans-Tasman performer on the day and week.

Slowing Australian retail sales

Australian retail sales in September were 0.2% higher than in August, slightly lower than August's 0.3% rise with

spending in the food (up 0.4%) and cafes and restaurants (up 0.5%) categories offsetting a fall in clothing and footwear (down 1.2%). Of greater interest to and worry for the RBA ahead of tomorrow's meeting was that retail sales in the September quarter were also 0.2% higher than in the June quarter, with a whopping 2.3% gain in the other retailing category that includes spending on petrol. The retail sales data will be of concern to the RBA because it hints at households cutting back spending to compensate for higher petrol prices.

RBA, Fed and RBNZ this week

Formal monetary policy decisions this week from the RBA (Tuesday), Fed (Wednesday) and RBNZ (Thursday) are expected to share a common theme — no interest rate announcements but a restating of current positions. The RBA is expected to repeat its no change stance and leave markets to focus on the Melbourne Cup. The Fed is expected to pave the way for a Fed Funds rate rise in December. The RBNZ presents the potentially more interesting outcome as it has to address recent strong GDP and CPI data while keeping alive the threat that *“the direction of our next OCR move could be up or down.”*

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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	72.70					CAD	0.8694 0.9419
NZD/USD	0.6639	0.0002	0.0007	0.0017	0.0045	CHF	0.6655 0.7210
NZD/AUD	0.9230	-0.0001	-0.0001	-0.0002	-0.0001	CNY	4.5798 4.9618
NZD/JPY	75.15	-0.14	-0.51	-0.98	-1.93	DKK	4.3439 4.7063
NZD/EUR	0.5821	-0.0012	-0.0043	-0.0079	-0.0155	FJD	1.4208 1.5393
NZD/GBP	0.5089	-0.0005	-0.0018	-0.0033	-0.0060	HKD	5.1903 5.6233
						KRW	743.61 805.65
AU TWI	62.80					MYR	2.7755 3.0070
AUD/USD	0.7189	0.0003	0.0009	0.0020	0.0050	NOK	5.5475 6.0103
AUD/NZD	1.0834	0.0001	0.0002	0.0002	0.0002	SEK	6.0133 6.5149
AUD/JPY	81.34	-0.14	-0.55	-1.05	-2.08	SGD	0.9103 0.9862
AUD/EUR	0.6305	-0.0012	-0.0045	-0.0085	-0.0167	TWD	20.37 22.07
AUD/GBP	0.5513	-0.0005	-0.0019	-0.0035	-0.0064	ZAR	9.4935 10.2855
USD Index	96.54						
EUR/USD	1.1402	0.0026	0.0096	0.0187	0.0391	EQUITIES	
USD/JPY	113.14	-0.24	-0.89	-1.76	-3.65		Index
GBP/USD	1.3041	0.0016	0.0061	0.0119	0.0245	NZX50	8,836
EUR/GBP	0.8744	0.0009	0.0032	0.0063	0.0133	ASX200	5,849
						Dow Jones	25,271
						S&P 500	2,723
						FTSE100	7,094
						DAX 30	11,519
						Nikkei	22,244
						COMMODITIES	
							USD
						Dubai Light	71.55
						Brent Crude	72.83
						Gold	1,232.85
						Silver	14.75
						CRB Index	198.50
INTEREST RATES		New Zealand		Australia			
		Borrow	Invest	Borrow	Invest		
30 day bank bills		1.87%	1.83%	1.88%	1.86%		
90 day bank bills		1.96%	1.92%	1.93%	1.93%		
FRA 90d in 3mths		1.98%	1.97%	2.00%	1.95%		
FRA 180d in 6mths		2.00%	1.97%	2.14%	2.10%		
1 year swap*		2.00%	1.97%	1.97%	1.96%		
2 year swap*		2.07%	2.04%	2.10%	2.07%		
3 year swap*		2.17%	2.14%	2.19%	2.16%		
5 year swap*		2.41%	2.37%	2.54%	2.50%		
10 year swap*		2.89%	2.86%	2.90%	2.89%		
10 year Govt bond			2.57%		2.69%		

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