



MARKET ALERT

Thursday 6 December 2018 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6894	0.0023
NZD/AUD	0.9485	0.0000
NZD/JPY	78.00	-0.98
NZD/EUR	0.6075	-0.0078
NZD/GBP	0.5405	-0.0032
NZD/CNH	4.7299	0.0285
AUD/USD	0.7268	0.0025
AUD/EUR	0.6404	-0.0082
EUR/USD	1.1348	0.0186
USD/CNH	6.8616	0.0180
GBP/USD	1.2753	0.0120
EUR/GBP	0.8898	0.0061

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.97%	1.97%
2 year swap	2.07%	1.98%
10 year Govt	2.48%	2.50%

Australian GDP surprises on downside

Australia’s economy grew less than expected in the September quarter. GDP was 0.3% for the quarter, well below expectations for growth of 0.6%. Annual GDP was 2.8%, down from 3.4% on the previous quarter, and well below expectations for 3.3%.

The slowing housing market and its effect on household spending is impeding growth along with a falling mining investment. The data comes only a day after the December RBA policy decision where it left the cash

rate unchanged at 1.50%, with the RBA Governor commenting that *“the Australian economy is performing well.”* Spoke too soon perhaps.

The disappointing GDP data is well below the RBA’s forecasts for average growth of 3.5% over this year and next year before slowing in 2020. The RBA did reiterated its concerns about high household debt levels and an overpriced housing market. This latest GDP data which shows growth slowing to its weakest pace in two years reinforces those concerns.

The AUD fell sharply on the news and any expectations for an RBA interest rate hike continue to be pushed further out. Current market pricing is implying no change to the cash rate cut over the next 12 months. The AUD/USD fell from 0.7350 to around 0.7270, a 70 points fall, while the NZD/AUD was pushed over the 0.9500 level, its highest since April 2018.

Trade confusion continues

Signs that China is moving forward with implementing the elements agreed at last week’s trade discussions with the US gave markets a cautious lift overnight.

It has been reported that Chinese officials have begun preparing to restart buying some US products, while ‘Trump tweets’ expressed his optimism in the progress made.

In China, a Ministry spokesman said that the country hopes to speed up talks and is devoted to finding a solution to settle issues.

China and the US announced a truce in their trade war following a meeting between Trump and Xi Jinping on Saturday but conflicting announcements post meeting suggested some confusion over what was actually agreed. US markets were closed for the funeral of former President Bush, although European equity markets dropped, mirroring Wall Street’s previous day’s slide.

A dovish statement from the Bank of Canada overnight saw the CAD underperform and Canadian yields tumble as markets downgraded the prospect of a January central bank hike. Weak oil prices and a softening domestic and global backdrop may mean the Canadian economy isn’t running up as much against capacity constraints as previously thought.

After testing 0.6960 earlier in the week, NZD/USD has eased back under 0.6900 this morning, taking a breather after spiking swiftly from a low near 0.6400 two months ago.

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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	75.22					CAD	0.9221 0.9721
NZD/USD	0.6894	0.0004	0.0011	0.0023	0.0050	CHF	0.6876 0.7249
NZD/AUD	0.9485	-0.0001	-0.0001	0.0000	0.0000	CNY	4.7265 4.9831
NZD/JPY	78.00	-0.24	-0.53	-0.98	-1.96	DKK	4.5336 4.7798
NZD/EUR	0.6075	-0.0016	-0.0040	-0.0078	-0.0155	FJD	1.4517 1.5306
NZD/GBP	0.5405	-0.0008	-0.0017	-0.0032	-0.0061	HKD	5.3853 5.6777
						KRW	768.17 809.88
AU TWI	62.80					MYR	2.8774 3.0336
AUD/USD	0.7268	0.0004	0.0012	0.0025	0.0053	NOK	5.8601 6.1782
AUD/NZD	1.0543	0.0001	0.0001	0.0000	0.0000	SEK	6.1895 6.5255
AUD/JPY	82.25	-0.24	-0.55	-1.04	-2.06	SGD	0.9425 0.9937
AUD/EUR	0.6404	-0.0017	-0.0041	-0.0082	-0.0164	TWD	21.24 22.39
AUD/GBP	0.5699	-0.0008	-0.0018	-0.0034	-0.0064	ZAR	9.5398 10.0577
USD Index	96.99						
EUR/USD	1.1348	0.0036	0.0092	0.0186	0.0383	EQUITIES	
USD/JPY	113.18	-0.40	-0.94	-1.81	-3.64		Index
GBP/USD	1.2753	0.0025	0.0061	0.0120	0.0240	NZX50	8,782
EUR/GBP	0.8898	0.0011	0.0030	0.0061	0.0130	ASX200	5,668
						Dow Jones	25,027
						S&P 500	2,700
						FTSE100	6,922
						DAX 30	11,200
						Nikkei	21,919
						COMMODITIES	
							USD
						Dubai Light	60.23
						Brent Crude	62.38
						Gold	1,236.43
						Silver	14.49
						CRB Index	190.68
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		1.98%	1.96%	1.95%	1.90%		
FRA 180d in 6mths		2.05%	2.02%	2.09%	2.05%		
1 year swap*		2.02%	1.99%	1.94%	1.93%		
2 year swap*		2.08%	2.05%	1.99%	1.98%		
3 year swap*		2.18%	2.15%	2.06%	2.05%		
5 year swap*		2.41%	2.37%	2.38%	2.38%		
10 year swap*		2.86%	2.82%	2.73%	2.72%		
10 year Govt bond			2.46%		2.50%		

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

SOURCE: Bloomberg

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