



BANCORP

BANCORP TREASURY SERVICES LIMITED

# MARKET ALERT

Tuesday 6 November 2018 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6mths
NZD/USD	0.6668	0.0017
NZD/AUD	0.9246	-0.0002
NZD/JPY	75.45	-0.98
NZD/EUR	0.5839	-0.0080
NZD/GBP	0.5111	-0.0034
NZD/CNH	4.6092	0.0323
AUD/USD	0.7212	0.0020
AUD/EUR	0.6315	-0.0085
EUR/USD	1.1420	0.0188
USD/CNH	6.9131	0.0309
GBP/USD	1.3046	0.0120
EUR/GBP	0.8754	0.0063

  

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.94%	1.93%
2 year swap	2.07%	2.06%
10 year Govt	2.63%	2.74%

## US in the spotlight, again

With only secondary data releases yesterday, global focus returned to the US, with the mid-term Congressional elections today and an FOMC meeting tomorrow.

The general tone in financial markets was one of correcting some of Friday's moves. That saw US stockmarkets up slightly, Treasury yields down slightly and the USD down slightly, with markets behaving like sports fans settling in front of the TV with drinks and snacks waiting for the start of a double-header.

Opinion polls and market expectations are for the Democrats to win control of the House of Representatives, where all 435 seats are up for election, and the Republicans to retain control of the Senate, where 35 of the 100 seats are up for election.

Such an outcome will make it challenging but not impossible for President Donald Trump to push through legislation. More importantly, it will limit the ability of the Republicans and Democrats from pushing through their respective legislative barrows (Republicans — more tax cuts and Democrats — more spending, especially on infrastructure).

The FOMC is expected to leave the Fed Funds range unchanged at tomorrow's meeting. Recent data has supported the Fed's forecasted path for the Fed Funds rate although global uncertainties remain a concern.

The post-meeting statement will be all we will get. The Fed will not release a Summary of Economic Projections nor is the Fed Chair, Jerome Powell, scheduled to hold a press conference. They will feature at the December meeting when markets expect, and fully price in, another 25bp rate rise.

The NZD and AUD benefitted from the slightly weaker USD and a more settled attitude, with the NZD doing slightly better. In addition to the US double-header, the NZD and AUD face their respective central banks'

pronouncements. The RBA is expected to add nothing new today, and allow Australasian markets to focus on the Big Race. The RBNZ's MPS soon after the FOMC announcement on Thursday morning could generate some market action.

## Promoting China as an importer

While attending the opening of an exhibition yesterday in Shanghai devoted to imports, Chinese President, Xi Jinping, took the opportunity to promote China as an importer and to encourage consumption. Xi noted that "China has a big market of over 1.3 billion people and it is our sincere commitment to open the Chinese market." To do that, he promised to cut import taxes further, broaden market access to China and import USD30 trillion worth of goods and USD10 trillion worth of services in the next 15 years.

There was little detail in Xi's speech and much of it was a repeat of previous promises. Xi claimed that the exhibition showed China's desire to support global free trade and, without mentioning the US, warned that "multilateralism and the free trade system is under attack, factors of instability and uncertainty are numerous, and risks and obstacles are increasing."

Xi's speech seemed to be aimed at the US, in particular Donald Trump, ahead of their planned meeting at the G-20 summit at the end of this month.



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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	73.03					<b>CAD</b>	0.8739 0.9452
NZD/USD	0.6668	0.0002	0.0007	0.0017	0.0044	<b>CHF</b>	0.6691 0.7236
NZD/AUD	0.9246	-0.0001	-0.0001	-0.0002	-0.0003	<b>CNY</b>	4.6179 4.9947
NZD/JPY	75.45	-0.14	-0.52	-0.98	-1.95	<b>DKK</b>	4.3553 4.7107
NZD/EUR	0.5839	-0.0012	-0.0043	-0.0080	-0.0157	<b>FJD</b>	1.4234 1.5395
NZD/GBP	0.5111	-0.0005	-0.0019	-0.0034	-0.0062	<b>HKD</b>	5.2209 5.6470
						<b>KRW</b>	747.24 808.22
AU TWI	62.30					<b>MYR</b>	2.7793 3.0061
AUD/USD	0.7212	0.0003	0.0009	0.0020	0.0050	<b>NOK</b>	5.5681 6.0224
AUD/NZD	1.0816	0.0001	0.0002	0.0003	0.0003	<b>SEK</b>	6.0350 6.5274
AUD/JPY	81.61	-0.14	-0.55	-1.04	-2.08	<b>SGD</b>	0.9166 0.9913
AUD/EUR	0.6315	-0.0012	-0.0045	-0.0085	-0.0168	<b>TWD</b>	20.46 22.13
AUD/GBP	0.5528	-0.0005	-0.0020	-0.0035	-0.0066	<b>ZAR</b>	9.4431 10.2137
USD Index	96.25						
EUR/USD	1.1420	0.0026	0.0097	0.0188	0.0393	<b>EQUITIES</b>	
USD/JPY	113.17	-0.24	-0.90	-1.75	-3.64		<b>Index</b>
GBP/USD	1.3046	0.0017	0.0063	0.0120	0.0247	<b>NZX50</b>	8,779
EUR/GBP	0.8754	0.0009	0.0032	0.0063	0.0133	<b>ASX200</b>	5,818
						<b>Dow Jones</b>	25,415
						<b>S&amp;P 500</b>	2,732
						<b>FTSE100</b>	7,104
						<b>DAX 30</b>	11,495
						<b>Nikkei</b>	21,899
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	71.51
						<b>Brent Crude</b>	73.50
						<b>Gold</b>	1,230.35
						<b>Silver</b>	14.65
						<b>CRB Index</b>	198.91

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.88%	1.84%	1.88%	1.86%
90 day bank bills	1.96%	1.92%	1.93%	1.93%
FRA 90d in 3mths	1.99%	1.97%	1.99%	1.94%
FRA 180d in 6mths	2.03%	1.98%	2.14%	2.10%
1 year swap*	2.05%	1.97%	1.97%	1.96%
2 year swap*	2.08%	2.05%	2.06%	2.05%
3 year swap*	2.18%	2.15%	2.17%	2.16%
5 year swap*	2.43%	2.39%	2.53%	2.52%
10 year swap*	2.93%	2.90%	2.90%	2.89%
10 year Govt bond		2.62%		2.74%

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

SOURCE: Bloomberg

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