



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Friday 7 December 2018 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6872	0.0023
NZD/AUD	0.9518	0.0000
NZD/JPY	77.30	-0.97
NZD/EUR	0.6036	-0.0077
NZD/GBP	0.5372	-0.0032
NZD/CNH	4.7319	0.0308
AUD/USD	0.7221	0.0024
AUD/EUR	0.6342	-0.0081
EUR/USD	1.1385	0.0185
USD/CNH	6.8862	0.0220
GBP/USD	1.2791	0.0118
EUR/GBP	0.8901	0.0062

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.98%	1.98%
2 year swap	2.06%	1.92%
10 year Govt	2.45%	2.45%

Global equities fall sharply

Risk-off flows were the dominant trade in markets overnight, with global equity markets taking an absolute hammering. The numbers make for some dire reading if you are an equity bull.

In the US, the Dow is down over 1.9%, and the S&P down 1.85%. In Europe the story was even uglier, with the German DAX closing down 3.48%, the French CAC down 3.32% and the UK FTSE down 3.15%. European indices had their worst day since Brexit.

The European markets are hitting the lows for the year, which makes for some even worse reading than today's falls. The DAX is now into bear market territory, down over 20% since reaching a peak in January. Other European markets are also registering double digit falls for the year.

Bonds were clearly the markets answer to the equity rout, along with flows into Gold, the Japanese yen and the Swiss franc. US 10 year Treasury yields fell another 4 basis points, to 2.87%, meanwhile in Germany bund yields were down to a year and a half low, at just 0.24%.

Perceived tensions between the US and China were ratcheted up a few notches with the arrest of the CFO of Huawei in Canada (who happens to be the daughter of the founder), at the request of US authorities for breaching sanctions against Iran. That was not the only catalyst for the falls. Uncertainty around the upcoming Brexit vote weighed on EU markets, and dovish rhetoric from BoC's Poloz and the Fed's Bostic, who said the Fed was within "shouting distance" of neutral interest rates. Add that to the already long list of concerns and the market was ripe for a fall.

The NZD/USD fell as low as 0.6857 overnight but has managed to hold up reasonably well. The AUD/USD fared worse, dipping below 0.7200 as the

sentiment from the disappointing GDP number weighed. Local interest rate markets are likely to see more red when they open, and local equities are also likely to open down.

Oil woes continue

Amid all the market nervousness, OPEC talks in Vienna ended yesterday without a deal on oil production cuts. Russia's portion of any proposed cuts remained an obstacle, with further talks due today. Saudi Energy Minister Khalid Al-Falih said "not everybody is ready to cut equally," and "Russia is not ready for a substantial cut."

Discussions had centred on a combined 1 million barrel a day output reduction but ended without a consensus. This saw oil prices fall again on the uncertainty, with Brent crude falling just over 5%, to under \$60 a barrel, while WTI fell 3%, to \$51.35 a barrel.

In addition, the lower oil price continues to act as a barometer of the general health of global economy and a weaker growth outlook that is clearly tilted to the downside.

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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	75.13					CAD	0.9206	0.9672
NZD/USD	0.6872	0.0004	0.0011	0.0023	0.0047	CHF	0.6820	0.7165
NZD/AUD	0.9518	0.0000	0.0000	0.0000	-0.0003	CNY	4.7299	4.9694
NZD/JPY	77.30	-0.24	-0.53	-0.97	-1.93	DKK	4.5053	4.7335
NZD/EUR	0.6036	-0.0016	-0.0039	-0.0077	-0.0153	FJD	1.4535	1.5271
NZD/GBP	0.5372	-0.0008	-0.0017	-0.0032	-0.0060	HKD	5.3693	5.6412
						KRW	769.76	808.74
AU TWI	62.40					MYR	2.8605	3.0053
AUD/USD	0.7221	0.0004	0.0012	0.0024	0.0051	NOK	5.8562	6.1528
AUD/NZD	1.0506	0.0000	0.0000	0.0000	0.0003	SEK	6.1809	6.4939
AUD/JPY	81.23	-0.25	-0.55	-1.02	-2.01	SGD	0.9411	0.9888
AUD/EUR	0.6342	-0.0017	-0.0041	-0.0081	-0.0159	TWD	21.22	22.30
AUD/GBP	0.5645	-0.0008	-0.0018	-0.0033	-0.0062	ZAR	9.6888	10.1794
USD Index	96.70							
EUR/USD	1.1385	0.0037	0.0093	0.0185	0.0376	EQUITIES		
USD/JPY	112.50	-0.41	-0.94	-1.78	-3.56			Index
GBP/USD	1.2791	0.0025	0.0061	0.0118	0.0233	NZX50		8,758
EUR/GBP	0.8901	0.0011	0.0030	0.0062	0.0129	ASX200		5,658
						Dow Jones		24,502
						S&P 500		2,651
						FTSE100		6,704
						DAX 30		10,811
						Nikkei		21,502
						COMMODITIES		
								USD
						Dubai Light		59.33
						Brent Crude		59.30
						Gold		1,239.12
						Silver		14.45
						CRB Index		187.16

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	2.00%	1.96%	1.98%	1.98%
FRA 90d in 3mths	1.99%	1.97%	1.93%	1.88%
FRA 180d in 6mths	2.04%	2.01%	2.04%	2.00%
1 year swap*	2.03%	1.95%	1.92%	1.91%
2 year swap*	2.10%	2.02%	1.93%	1.92%
3 year swap*	2.17%	2.15%	1.99%	1.98%
5 year swap*	2.41%	2.33%	2.30%	2.29%
10 year swap*	2.82%	2.79%	2.64%	2.63%
10 year Govt bond		2.44%		2.45%

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

SOURCE: Bloomberg

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