



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Wednesday 7 November 2018 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6669	0.0018
NZD/AUD	0.9239	0.0000
NZD/JPY	75.64	-0.98
NZD/EUR	0.5842	-0.0079
NZD/GBP	0.5092	-0.0033
NZD/CNH	4.6176	0.0304
AUD/USD	0.7218	0.0020
AUD/EUR	0.6323	-0.0086
EUR/USD	1.1414	0.0189
USD/CNH	6.9247	0.0266
GBP/USD	1.3096	0.0122
EUR/GBP	0.8716	0.0063

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.96%	1.94%
2 year swap	2.06%	2.07%
10 year Govt	2.64%	2.73%

RBA merely a distraction

Apparently there was an RBA Board meeting yesterday. Judging by the AUD's response, no one paid attention. Australians could be forgiven for missing that, given there was a far more important horse race happening.

The RBA held its cash rate at 1.50% for a record 25th meeting in a row now (market pricing suggests this number will easily hit 35). The key messages were that it is unconcerned about falling house prices and weak inflation, and

somewhat buoyed by a strong jobs market and solid growth, meaning the RBA's next move will be a rate rise but not for some time.

The RBA's "forecasts for economic growth in 2018 and 2019 have been revised up a little." It noted that "business conditions are positive and non-mining business investment is expected to increase" while "inflation remains low and stable ... at 1.9%" and is gradually expected to pick up to the RBA's target. The RBA also expects unemployment to fall to 4.75% by 2020, from 5.0% currently.

Regarding retreating house prices, the RBA said "conditions in the Sydney and Melbourne housing markets have continued to ease" and that "demand by investors has slowed noticeably as the dynamics of the housing market have changed."

The AUD/USD was unmoved by the RBA statement and office sweepstakes quickly became the main priority. The RBNZ tomorrow is likely to move the NZD more than the RBA moved the AUD but that would not be difficult.

Dairy prices lower again

Prices were lower again at the latest GDT auction overnight. The overall GDT Price Index fell 2.0% to its lowest level in two years on about 1.0% higher volume. Only Butter Milk Powder and Skim Milk Power recorded price rises, although on a small volume.

The average Whole Milk Powder auction price, a key input into Fonterra's Farmgate Milk Payout ("FMP"), was 2.9% lower than at the previous auction. This reinforced dairy futures pricing for this season's FMP to be at the lower end of Fonterra's forecast range of \$6.25 to \$6.50 per kgMS. Lower GDT auction prices had no impact on the NZD, which like most currencies had settled down to await global developments.

Markets just watching, for now

Financial markets have stabilised after recent volatility and are seemingly awaiting the outcome of a number of events — the more prominent being the US mid-term elections (currently under way). Also, the US-China trade dispute (the US and Chinese Presidents will meet later this month), tonight's FOMC meeting (although the only expected outcome is to lay the groundwork for a rate rise in December), the EU-Italy tussle over the Italian budget and Brexit.

Tonight, we should get a good idea of how red and blue Congress will be after the US mid-term elections, and the outcome of the FOMC meeting. These will be soon followed by the RBNZ's MPS. So, it could be a quiet day today followed by a hectic morning tomorrow.

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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	73.02					CAD	0.8758 0.9479
NZD/USD	0.6669	0.0002	0.0008	0.0018	0.0047	CHF	0.6691 0.7242
NZD/AUD	0.9239	0.0000	0.0000	0.0000	0.0001	CNY	4.6141 4.9941
NZD/JPY	75.64	-0.14	-0.52	-0.98	-1.93	DKK	4.3577 4.7166
NZD/EUR	0.5842	-0.0012	-0.0042	-0.0079	-0.0156	FJD	1.4231 1.5404
NZD/GBP	0.5092	-0.0005	-0.0019	-0.0033	-0.0060	HKD	5.2225 5.6527
						KRW	748.72 810.39
AU TWI	62.60					MYR	2.7878 3.0174
AUD/USD	0.7218	0.0003	0.0009	0.0020	0.0049	NOK	5.5785 6.0379
AUD/NZD	1.0824	0.0000	0.0000	0.0001	-0.0002	SEK	6.0383 6.5357
AUD/JPY	81.87	-0.15	-0.56	-1.05	-2.10	SGD	0.9164 0.9918
AUD/EUR	0.6323	-0.0013	-0.0046	-0.0086	-0.0169	TWD	20.53 22.22
AUD/GBP	0.5511	-0.0005	-0.0020	-0.0035	-0.0066	ZAR	9.4310 10.2078
USD Index	96.33						
EUR/USD	1.1414	0.0028	0.0097	0.0189	0.0394	EQUITIES	
USD/JPY	113.44	-0.25	-0.91	-1.77	-3.66		Index
GBP/USD	1.3096	0.0018	0.0064	0.0122	0.0249	NZX50	8,816
EUR/GBP	0.8716	0.0010	0.0032	0.0063	0.0133	ASX200	5,875
						Dow Jones	25,555
						S&P 500	2,751
						FTSE100	7,041
						DAX 30	11,484
						Nikkei	22,148
						COMMODITIES	
							USD
						Dubai Light	71.51
						Brent Crude	71.98
						Gold	1,226.30
						Silver	14.53
						CRB Index	197.25

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.89%	1.85%	1.88%	1.86%
90 day bank bills	1.98%	1.94%	1.94%	1.94%
FRA 90d in 3mths	1.98%	1.97%	1.99%	1.94%
FRA 180d in 6mths	2.01%	1.98%	2.15%	2.11%
1 year swap*	2.01%	1.98%	2.00%	1.96%
2 year swap*	2.08%	2.05%	2.07%	2.06%
3 year swap*	2.18%	2.15%	2.18%	2.16%
5 year swap*	2.44%	2.40%	2.53%	2.53%
10 year swap*	2.94%	2.91%	2.90%	2.90%
10 year Govt bond		2.62%		2.73%

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

SOURCE: Bloomberg

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