

BANCORP TREASURY SERVICES LIMITED

## MARKET ALERT

Thursday 8 February 2018 | www.bancorptreasury.com

CURRENCIES	Spot	6 mths		
NZD/USD	0.7254	-0.0007		
NZD/AUD	0.9273	-0.0012		
NZD/JPY	79.29	-1.00		
NZD/EUR	0.5918	-0.0081		
NZD/GBP	0.5233	-0.0044		
NZD/CNH	4.5834	0.0418		
AUD/USD	0.7823	0.0002		
AUD/EUR	0.6382	-0.0079		
EUR/USD	1.2257	0.0157		
USD/CNH	6.3182	0.0640		
GBP/USD	1.3864	0.0104		
EUR/GBP	0.8841	0.0047		
INT RATES	NZ Australia			
OCR/Cash	1.75%	1.50%		
90 day bills	1.92%	1.77%		
2 year swap	2.18%	2.03%		
10 year Govt	2.95%	2.84%		

## New Zealand unemployment nine year low

New Zealand's unemployment rate fell to 4.5% in the December quarter, down from 4.6% in September. The unemployment rate has not been this low since December 2008.

Although unemployment has fallen, the under-utilisation rate rose to 12.1%, indicating that there are people who are employed but may be looking for more

The labour force participation rate came in at 71.0%, down slightly from the

previous quarter's peak of 71.1% but still the highest in the developed world.

The labour cost index, which is the overall measure of changes in salary and wage rates, rose a combined 1.8%. Of this, the government sector grew 1.5%, with the private sector higher at 1.9%. A large part of the wage increase was due to the pay equity settlement for care workers, which was passed into law last year. Had this law not come into effect, a 1.6% gain would have been observed. The NZD/USD rose on the news during the day and is just another New Zealand positive that continues to keep some support under the NZD.

## US returning to sort of normal

US sharemarkets, Treasury yields and the USD have enjoyed another day of going up which is a relief after their dramatic falls at the end of last week and start of this week.

Helping their respective rebounds has been the US economic positives that underscore the Fed's predictions for more rate rises in 2018 and 2019. That was underscored by news that, not only had the House of Representatives passed a bill extending government funding beyond Friday's deadline (to 23 March), but there has also been a bipartisan agreement in the Senate for a two year budget package. However, let's not get carried away in celebrating the Senate deal — Congress and the

White House have been bordering on dysfunctional and split over party lines over the past year or so.

The USD Index has continued to climb off its multi-year lows recorded late last month as the USD enjoyed a broad recovery that has pushed down commodity prices. The stronger USD and lower commodity prices have given the NZD and AUD an extra shove lower, taking the NZD/USD to 0.7250 and the AUD/USD just above 0.7800 and wiping out most of their respective New Year rallies.

The 10 year Treasury yields is back up to 2.84% where it closed Friday after the unexpectedly strong jobs and wages data. That will put some upward pressure on our medium to longer term swap rates. The short end of the New Zealand yield curve looks set to remain anchored to and OCR at 1.75%.

Today's MPS will reveal how long the RBNZ expects the OCR to remain at 1.75%. We don't expect much variation from the forecasts in the November MPS because recent data has shown stronger growth and, if anything, weaker price and wage inflation than the RBNZ's forecasts, because there will be a change in the Policy Targets Agreement and Governor next month. Any shift further into the future for the RBNZ's OCR forecasts could push the NZD lower, especially in the current fragile and volatile global market environment.

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## DAILY RATES

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EV	Spot FECs (mid)					Spot Mid		
FX	Mid	1mth	3mths	6mths	12mths		NZD/	AUD/
NZ TWI	74.75					CAD	0.9118	0.9833
NZD/USD	0.7254	-0.0003	-0.0006	-0.0007	-0.0006	CHF	0.6845	0.7382
NZD/AUD	0.9273	-0.0002	-0.0006	-0.0012	-0.0022	CNY	4.5487	4.9053
NZD/JPY	79.29	-0.15	-0.50	-1.00	-2.09	DKK	4.4042	4.7495
NZD/EUR	0.5918	-0.0012	-0.0040	-0.0081	-0.0166	FJD	1.4697	1.5850
NZD/GBP	0.5233	-0.0007	-0.0023	-0.0044	-0.0086	HKD	5.6710	6.1156
						KRW	790.09	852.04
<b>AU TWI</b>	64.10					MYR	2.8581	3.0821
AUD/USD	0.7823	-0.0001	-0.0001	0.0002	0.0012	NOK	5.7273	6.1763
AUD/NZD	1.0784	0.0002	0.0007	0.0014	0.0026	SEK	5.8473	6.3057
AUD/JPY	85.53	-0.14	-0.48	-0.97	-2.06	SGD	0.9611	1.0364
<b>AUD/EUR</b>	0.6382	-0.0012	-0.0039	-0.0079	-0.0164	TWD	21.28	22.95
AUD/GBP	0.5643	-0.0007	-0.0021	-0.0040	-0.0079	ZAR	8.7155	9.3987
US TWI	85.20							
EUR/USD	1.2257	0.0021	0.0074	0.0157	0.0344	EQUITIES		
USD/JPY	109.34	-0.16	-0.60	-1.27	-2.80	•		Index
<b>GBP/USD</b>	1.3864	0.0014	0.0051	0.0104	0.0219	NZX50		8,195
EUR/GBP	0.8841	0.0006	0.0021	0.0047	0.0107	ASX20	00	5,877
						Dow J	ones	25,044
INTEREST		New Ze	ealand	Australia		<b>S&amp;P</b> 500 2,7		2,707
RATES		Borrow	Invest	Borrow	Invest	FTSE100		7,279
						DAX 3	30	12,590
30 day bank b	ills	1.83%	1.79%	1.68%	1.66%	Nikkei		21,645
90 day bank b	ills	1.89%	1.88%	1.77%	1.77%			
FRA 90d in 31	mths	1.94%	1.92%	1.81%	1.76%	COMMODITIES		
FRA 180d in	ómths	2.04%	2.01%	2.04%	2.00%			USD
1 year swap*		2.00%	1.96%	1.85%	1.84%	Dubai	Light	63.81
2 year swap*		2.20%	2.16%	2.03%	2.03%	Brent Crude		65.35
3 year swap*		2.40%	2.37%	2.22%	2.21%	Gold	Gold 1,313.05	
5 year swap*		2.78%	2.70%	2.63%	2.62%	Silver		16.33
10 year swap	•	3.30%	3.27%	3.03%	3.02%	CRB Index 195.4		195.49
10 year Govt	0 year Govt bond		2.93%		2.84%			

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