



# MARKET ALERT

Friday 9 February 2018 | [www.bancorptreasury.com](http://www.bancorptreasury.com)

CURRENCIES	Spot	6 mths
NZD/USD	0.7236	-0.0006
NZD/AUD	0.9267	-0.0012
NZD/JPY	78.77	-1.00
NZD/EUR	0.5897	-0.0082
NZD/GBP	0.5190	-0.0043
NZD/CNH	4.6059	0.0468
AUD/USD	0.7808	0.0003
AUD/EUR	0.6364	-0.0080
EUR/USD	1.2269	0.0161
USD/CNH	6.3646	0.0704
GBP/USD	1.3939	0.0105
EUR/GBP	0.8802	0.0049

  

INT RATES	NZ	Australia
OCR/Cash	1.75%	1.50%
90 day bills	1.92%	1.77%
2 year swap	2.17%	2.02%
10 year Govt	2.96%	2.89%

## Clean slate for new team at RBNZ

Yesterday's RBNZ MPS was in line with general expectations for an upbeat growth outlook, a tempered inflation outlook and no change to the forecast path for the OCR.

The RBNZ had a lot to say about the low current and projected inflation, and seemed to downplay wage inflation threats despite recent strong growth and jobs growth. It went from describing underlying inflation as "subdued" in November to "low" yesterday and outlining specific risks to its projections

that would justify a lower OCR. The outgoing top management at the RBNZ have left the incoming Governor, and recently appointed Finance Minister, with a 'clean slate' in terms of conditionality and policy choices.

That subtle shift in its perception of inflation, the re-stated OCR forecast and the observation that "interest rate differentials between New Zealand and our major trading partners have narrowed, reducing the attractiveness of the New Zealand dollar," are reminders of the underlying (downward) domestic pressures on the NZD/USD and the factors anchoring short swap rates to the 1.75% OCR. Medium to longer swap rates will continue to be pushed around by offshore markets, led by US Treasuries that are under upward pressure.

The NZD fell across the board after yesterday's MPS with the NZD/USD falling below 0.7200 and the NZD/AUD below 0.9200.

## BoE signals faster rate rises

The BoE held its benchmark interest rate unchanged last night however said it expects to raise interest rates in the UK at a faster pace and further than anticipated. The BoE expects the UK economy to grow 1.8% each year over the next three, projections that are higher on average than they were in November at the last policy meeting. The main reason is a stronger outlook for the global

economy which the BoE expects will boost UK exports.

The BoE cautioned that the UK isn't fully participating in the global upswing due to Brexit worries, highlighting that Brexit is weighing on investment and immigration, restraining the economy's capacity to expand without stoking inflation. Future decisions on interest rates will depend heavily on whether progress is made.

The GBP/USD rose on the news up 1.1% while UK 10 year yields ticked higher from 1.55% to 1.60% after the release.

## Rate hike jitters again

It was Monday all over again as markets suddenly plunged again in apprehension of rising interest rates. The S&P tumbled 2.4% while the Dow Jones shed more than 600 points, deepening the losses for the week. From the 26 January all-time highs, the indexes are down around 8%, approaching correction territory at 10%. US treasury yields rose to multi year highs reaching a high of 2.88% only a few hours ago.

Amongst all the turmoil, the RMB dropped 1% against the USD on Thursday, hitting its biggest one day decline since the currency was devalued in 2015. Unlike the devaluation, the yuan's move lower appeared to be driven by the market after China reported a narrower trade surplus than expected, as imports jumped.



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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	74.74					<b>CAD</b>	0.9100 0.9820
NZD/USD	0.7236	-0.0003	-0.0006	-0.0006	-0.0003	<b>CHF</b>	0.6780 0.7316
NZD/AUD	0.9267	-0.0002	-0.0007	-0.0012	-0.0020	<b>CNY</b>	4.5788 4.9409
NZD/JPY	78.77	-0.15	-0.50	-1.00	-2.07	<b>DKK</b>	4.3900 4.7372
NZD/EUR	0.5897	-0.0012	-0.0041	-0.0082	-0.0165	<b>FJD</b>	1.4732 1.5897
NZD/GBP	0.5190	-0.0007	-0.0024	-0.0043	-0.0082	<b>HKD</b>	5.6595 6.1071
						<b>KRW</b>	792.28 854.95
AU TWI	63.90					<b>MYR</b>	2.8257 3.0492
AUD/USD	0.7808	-0.0001	-0.0001	0.0003	0.0013	<b>NOK</b>	5.7227 6.1753
AUD/NZD	1.0791	0.0003	0.0008	0.0014	0.0023	<b>SEK</b>	5.8628 6.3265
AUD/JPY	85.00	-0.14	-0.48	-0.97	-2.05	<b>SGD</b>	0.9622 1.0383
AUD/EUR	0.6364	-0.0012	-0.0040	-0.0080	-0.0164	<b>TWD</b>	21.30 22.99
AUD/GBP	0.5601	-0.0006	-0.0022	-0.0040	-0.0076	<b>ZAR</b>	8.7749 9.4689
US TWI	85.20					<b>EQUITIES</b>	
EUR/USD	1.2269	0.0021	0.0077	0.0161	0.0347		<b>Index</b>
USD/JPY	108.88	-0.17	-0.61	-1.29	-2.81	<b>NZX50</b>	8,177
GBP/USD	1.3939	0.0014	0.0053	0.0105	0.0217	<b>ASX200</b>	5,891
EUR/GBP	0.8802	0.0006	0.0022	0.0049	0.0110	<b>Dow Jones</b>	24,419
						<b>S&amp;P 500</b>	2,647
						<b>FTSE100</b>	7,171
						<b>DAX 30</b>	12,260
						<b>Nikkei</b>	21,891
						<b>COMMODITIES</b>	
							<b>USD</b>
						<b>Dubai Light</b>	62.21
						<b>Brent Crude</b>	64.76
						<b>Gold</b>	1,318.58
						<b>Silver</b>	16.44
						<b>CRB Index</b>	195.28

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.83%	1.79%	1.68%	1.66%
90 day bank bills	1.92%	1.88%	1.77%	1.77%
FRA 90d in 3mths	1.94%	1.92%	1.81%	1.76%
FRA 180d in 6mths	2.04%	2.00%	2.03%	1.99%
1 year swap*	1.99%	1.95%	1.84%	1.83%
2 year swap*	2.19%	2.15%	2.03%	2.02%
3 year swap*	2.38%	2.37%	2.20%	2.19%
5 year swap*	2.78%	2.70%	2.63%	2.62%
10 year swap*	3.30%	3.27%	3.05%	3.04%
10 year Govt bond		2.94%		2.89%

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

SOURCE: Bloomberg

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