

Market Alert

Friday 22 January 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7190	0.0001
NZD/AUD	0.9274	-0.0007
NZD/JPY	74.44	-0.15
NZD/EUR	0.5915	-0.0023
NZD/GBP	0.5246	-0.0004
NZD/CNH	4.6492	0.0468
AUD/USD	0.7752	0.0007
AUD/EUR	0.6378	-0.0020
EUR/USD	1.2153	0.0049
USD/CNH	7.1227	0.0641
GBP/USD	1.3705	0.0014
EUR/GBP	0.8868	0.0027

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.28%	0.01%
2 year swap	0.28%	0.07%
10 year Govt	1.03%	1.07%

Central banks have been busy ...

... doing nothing!

The ECB left its main interest rate at 0.0% and maintained its Pandemic Emergency Purchase Programme ("PEPP") quota at 1.85 trillion Euros overnight as policymakers took a wait and see approach following last month's decision to expand and extend its PEPP. But that was where the good news ended as President Lagarde signalled the eurozone economy is headed for a double dip recession as "a decline in the fourth quarter will travel into the first quarter." Ms. Lagarde also said that the

Euro's strength is being monitored "very carefully."

The BoJ also left its key short term interest rate unchanged at -0.1% and maintained its 10 year JGB yield target around the 0% level, by a 7-1 vote. In its quarterly outlook report, the central bank also revised higher its GDP growth projection for the next fiscal year to 3.9%, from October's 3.6%, while Japan also posted its second trade surplus in 12 months in December of JPY751 billion.

The change in Australia's employment number was in line with expectations at 50,000 which saw the unemployment rate fall to 6.6%, from 6.8% with the participation rate increasing slightly to 66.2% from last month's 66.1%. In other Australian news, consumer inflation expectations fell to 3.4% from 3.5% in December.

In New Zealand, Westpac has capitulated and joined the rest of the local 'majors' in reversing their negative OCR call as they, "now expect that the OCR will remain on hold at 0.25% for the foreseeable future." And talking of data releases, the overnight headlines showed that US initial and continuing jobless claims were slightly better than expectations at 900k and 5.054 million, UK business confidence was weak at -22, while EU consumer confidence fell 1.7 points to -15.5 in January. In New Zealand, the Q4 employment confidence index jumped

to 97.6 from 87.4, with 23% of companies expecting higher wages in the year ahead, up from 16.8% in Q3.

So, with central banks drumming the usual line of 'we will do what it takes' and data releases being broadly in line with expectations, the financial markets did what they do best – yep, they bought tech stocks! With Asian and European indices, the Dow and S&P all flat, the Nasdaq was the star performer, up 0.70%. Against this, commodities were 'in the red' giving up some of their recent gains, while bonds were also off with the US 10 year yield firming to 1.11%. The NZD/USD and AUD/USD both rallied yesterday afternoon/evening and are now at 0.7190 and 0.7750 respectfully.

If only you had IPO'd Jack!

Remember Ant Group... Jack Ma's fintech giant? Well, it took a pasting overnight (yes, that is an official financial market term) losing USD108 billion of market valuation after China imposed new measures to curb market concentration. In other 'minor' news, Janet Yellen announced she will work with Congress to improve US retirement savings, Fox news announced President Biden will push for tax increases "later in the year," while the ECB is said to have asked staff for proposals as it seeks new gauges to help with stimulus decisions. Sounds like the ECB are running out of stimulus ideas!



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Daily Rates

Friday 22 January 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.58					CAD	0.9084	0.9795
NZD/USD	0.7190	0.0000	0.0001	0.0001	0.0001	CHF	0.6368	0.6867
NZD/AUD	0.9274	-0.0001	-0.0004	-0.0007	-0.0015	CNY	4.6452	5.0088
NZD/JPY	74.44	-0.02	-0.07	-0.15	-0.36	DKK	4.4005	4.7450
NZD/EUR	0.5915	-0.0004	-0.0011	-0.0023	-0.0048	FJD	1.4648	1.5795
NZD/GBP	0.5246	-0.0001	-0.0002	-0.0004	-0.0012	HKD	5.5723	6.0085
						KRW	791.18	853.12
AU TWI	63.80					MYR	2.9052	3.1326
AUD/USD	0.7752	0.0001	0.0004	0.0007	0.0014	NOK	6.0574	6.5316
AUD/NZD	1.0783	0.0001	0.0004	0.0009	0.0017	SEK	5.9621	6.4288
AUD/JPY	80.27	-0.01	-0.04	-0.10	-0.25	SGD	0.9514	1.0259
AUD/EUR	0.6378	-0.0003	-0.0010	-0.0020	-0.0042	TWD	20.12	21.69
AUD/GBP	0.5656	0.0000	0.0000	0.0000	-0.0003	ZAR	10.7736	11.6170
USD Index	90.18							
EUR/USD	1.2153	0.0008	0.0025	0.0049	0.0102	EQUITIES		
USD/JPY	103.56	-0.03	-0.10	-0.22	-0.51			Index
GBP/USD	1.3705	0.0002	0.0007	0.0014	0.0033	NZX50		13,112
EUR/GBP	0.8868	0.0005	0.0013	0.0027	0.0053	ASX200		6,824
						Dow Jones		31,193
						S&P 500		3,854
						FTSE100		6,715
						DAX 30		13,907
						Nikkei		28,757
						COMMODITIES		
								USD
						Dubai Light		54.82
						Brent Crude		55.98
						Gold		1,866.25
						Silver		25.81
						CRB Index		186.02

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.28%	0.24%	0.02%	0.02%
90 day bank bills	0.30%	0.26%	0.03%	-0.01%
FRA 90d in 3mths	0.27%	0.24%	0.04%	-0.01%
FRA 180d in 6mths	0.25%	0.22%	0.06%	0.02%
1 year swap*	0.27%	0.24%	0.04%	0.02%
2 year swap*	0.30%	0.27%	0.08%	0.07%
3 year swap*	0.36%	0.34%	0.15%	0.15%
5 year swap*	0.58%	0.55%	0.44%	0.42%
10 year swap*	1.09%	1.07%	1.09%	1.08%
10 year Govt bond		1.02%		1.07%

* Semi-annual rate resets except AUD 1,2,3 year quarterly

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