

# Market Alert

Monday 25 January 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7191	0.0000
NZD/AUD	0.9306	-0.0010
NZD/JPY	74.63	-0.16
NZD/EUR	0.5914	-0.0024
NZD/GBP	0.5248	-0.0006
NZD/CNH	4.6717	0.0476
AUD/USD	0.7728	0.0008
AUD/EUR	0.6351	-0.0019
EUR/USD	1.2168	0.0049
USD/CNH	7.1227	0.0665
GBP/USD	1.3679	0.0014
EUR/GBP	0.8896	0.0027

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.29%	0.01%
2 year swap	0.31%	0.08%
10 year Govt	1.08%	1.13%

## COVID-19's return

Like a 'Die Hard' movie ... it just keeps coming back in a different guise.

While it is inevitable that global economic growth will rebound from 2020's recession, double-dip recessions are now expected in Japan, the EU and the UK. And with the US suffering as well, it is expected the global economy will take longer to ignite than previously forecast.

The World Bank already trimmed its 2021 growth prediction to 4%, while the International Monetary Fund is due to update its own outlook later this week.

As US cases passed the 25 million mark, infectious disease expert, Fauci, with his fingers firmly crossed behind his back, suggested COVID-19 might be plateauing. Meanwhile, the EC President Charles Michel says bloc leaders agreed lockdown measures may need to be strengthened across the zone, while in the UK media reports suggest government ministers are considering shutting the border to non-UK citizens.

However, in New Zealand, it is a different story after Q4 CPI came in higher than expected at 0.5% for the quarter – way better than the expected 0.2% – and, when you take into account the 0.7% print in Q3, it's easy to see why the 12 month number was at 1.4%. To add further fuel to the inflationary fire, the Treasury's activity index saw December's activity up 1.5% on same month last year to hit its highest level since March 2018. Ultimately, what all this means, is that the RBNZ's own inflation indicator for Q4 came in at +1.8% for the year, just ahead of Q3's 1.7%.

Against this, the BusinessNZ manufacturing PMI for December eased into contractionary territory at 48.7 from November's 55.3 to record its lowest level of activity since May 2020, but, following six consecutive months of expansion, the three-month moving average sits at an expansionary 51.8, albeit below its long-term average of 53.0.

In other data news, Japan's flash manufacturing PMI was, quite frankly, not so flash dropping from 50.0 to 49.7 in January. And, in a similar vein, December's headline CPI contracted at -1.2% for the year against an expected -1.3% drop.

US Markit Manufacturing PMI exceeded forecasts jumping to 59.1 in January from 58.3 in December, Australian preliminary retail sales for December contracted -4.2% on the month – which was way worse than the expected -1.5% and November's +7.1%. And, in the UK, consumer confidence fell to -28 in January against December's -26 print.

## Friday's price action

Financial markets were a 'sea of red' across the board on Friday night with equity bourses down between 0.25%-1.0% as a sense of reality returned. It was a similar vein in commodity markets with all products lower, although the Chicago lumber future bucked the trend to be 6.4% higher.

Bonds were broadly flat although there is the potential for yields to ease lower given the recent reality check we saw with the US 10-year yield easing to 1.09%. In amongst this the NZD and AUD remain steady at 0.7190 and 0.7725 respectfully against the USD after it was announced Chinese banks purchased USD158 billion US dollars in FX in 2020.



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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	74.69					CAD	0.9144	0.9826
NZD/USD	0.7191	0.0000	0.0000	0.0000	-0.0001	CHF	0.6368	0.6843
NZD/AUD	0.9306	-0.0002	-0.0005	-0.0010	-0.0019	CNY	4.6545	5.0019
NZD/JPY	74.63	-0.03	-0.08	-0.16	-0.38	DKK	4.3957	4.7238
NZD/EUR	0.5914	-0.0004	-0.0012	-0.0024	-0.0050	FJD	1.4630	1.5722
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0014	HKD	5.5742	5.9902
						KRW	793.85	853.09
AU TWI	63.70					MYR	2.9066	3.1235
AUD/USD	0.7728	0.0001	0.0004	0.0008	0.0015	NOK	6.1135	6.5697
AUD/NZD	1.0746	0.0002	0.0006	0.0011	0.0022	SEK	5.9865	6.4332
AUD/JPY	80.18	-0.01	-0.03	-0.09	-0.25	SGD	0.9553	1.0266
AUD/EUR	0.6351	-0.0003	-0.0009	-0.0019	-0.0041	TWD	20.09	21.59
AUD/GBP	0.5649	0.0000	0.0000	0.0000	-0.0003	ZAR	10.8842	11.6965
USD Index	90.24							
EUR/USD	1.2168	0.0008	0.0025	0.0049	0.0103			
USD/JPY	103.76	-0.03	-0.10	-0.22	-0.52			
GBP/USD	1.3679	0.0002	0.0007	0.0014	0.0034			
EUR/GBP	0.8896	0.0004	0.0013	0.0027	0.0053			
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>				
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>			
30 day bank bills		0.28%	0.24%	0.02%	0.02%			
90 day bank bills		0.31%	0.27%	0.03%	-0.01%			
FRA 90d in 3mths		0.28%	0.24%	0.04%	-0.01%			
FRA 180d in 6mths		0.27%	0.24%	0.06%	0.02%			
1 year swap*		0.28%	0.25%	0.03%	0.02%			
2 year swap*		0.32%	0.30%	0.09%	0.07%			
3 year swap*		0.41%	0.39%	0.16%	0.15%			
5 year swap*		0.65%	0.63%	0.45%	0.43%			
10 year swap*		1.17%	1.15%	1.09%	1.08%			
10 year Govt bond			1.07%		1.13%			

  

EQUITIES	
	Index
NZX50	13,333
ASX200	6,800
Dow Jones	30,997
S&P 500	3,841
FTSE100	6,695
DAX 30	13,874
Nikkei	28,631

  

COMMODITIES	
	USD
Dubai Light	54.54
Brent Crude	55.41
Gold	1,854.81
Silver	25.48
CRB Index	183.67

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

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