

# Market Alert

Tuesday 26 January 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7197	0.0001
NZD/AUD	0.9333	-0.0010
NZD/JPY	74.68	-0.15
NZD/EUR	0.5927	-0.0023
NZD/GBP	0.5248	-0.0005
NZD/CNH	4.6678	0.0517
AUD/USD	0.7711	0.0009
AUD/EUR	0.6349	-0.0018
EUR/USD	1.2144	0.0049
USD/CNH	7.1227	0.0713
GBP/USD	1.3674	0.0014
EUR/GBP	0.8881	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%	1.11%

## The power of Reddit

With only a few data releases there wasn't much for markets to focus on, so everyone went to their favourite message board, Reddit. And while those of an older generation may like to spend hours poring over financial data and running spreadsheet analyst programmes, the younger generation have a new way of doing it ... post an emoji on Reddit and watch an unheard share skyrocket.

Overnight, more than 100 Reddit inspired stocks rallied 10.0%, with game retailer, GameStop, doubling again even though it was already up 245.0% for the year!

Unfortunately, this combination of Reddit and Robinhood wasn't enough to drive indices to new highs as US bourses flatlined following on from Europe's weak session, which had most exchanges down 1.5%.

Bond markets sparked to life after the US treasury issued 2 year notes at a record low of 0.125%. This saw an overall easing of outright yield levels across the curve with the 10 years falling to 1.05%. But these gyrations didn't impact FX markets at all, with the NZD/USD and AUD/USD flatlining at 0.7200 and 0.7715 respectively, although the NZD/AUD is a touch firmer at 0.9335.

Overnight, ECB President, Christine Lagarde, was on the newswires stating that the "recovery is somewhat delayed but not derailed," and that the ECB will be in the market "for an extended period of time." Meanwhile, the Australian preliminary trade balance for December was a stonker with exports up 16.0% on the month while imports fell 9.0%.

On the year, exports were up 3.0% and imports were flat. While the preliminary data is subject to revision, iron ore sales increased in both quantity and price. Exports of cereals were the largest on record, while coal exports also recorded large increases. On a country basis, exports to China increased 21.0%, Japan 27.0%, India 38.0%, South Korea 48.0%, and the US – a whopping 58.0%!

There were also a couple of comments on the Yuan overnight, with the Centre for Strategic and International Studies stating "there is nowhere for it to go but down. We're going to see them intervene to put some bands around the yuan." Meanwhile, the American Enterprise Institute suggested "China will intervene to keep the yuan from strengthening much further and then control a slow depreciation as the US economy recovers."

## Grand ambitions!

The Saudi sovereign wealth fund is to double assets in the next five years to USD1.07 trillion.

China's Global Times announced that large scale tests of digital currency are planned for 2021. It is hoped that, once launched, the digital yuan will reshape China's financial industry and unleash a promising digital finance service sector worth billions of yuan.

China has also taken a page out of the 'How to be a President' book and is building border walls with Vietnam and Myanmar. At this stage we're just not sure whether it's to keep people in or out!

With a US aircraft carrier group entering the South China Sea on Sunday, China's state media reported the National People's Congress passed a law that explicitly allows its coastguard to open fire on foreign vessels.



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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	74.86					CAD	0.9168 0.9823
NZD/USD	0.7197	0.0000	0.0000	0.0001	0.0000	CHF	0.6390 0.6847
NZD/AUD	0.9333	-0.0002	-0.0005	-0.0010	-0.0019	CNY	4.6637 4.9969
NZD/JPY	74.68	-0.02	-0.07	-0.15	-0.37	DKK	4.4086 4.7237
NZD/EUR	0.5927	-0.0004	-0.0012	-0.0023	-0.0050	FJD	1.4658 1.5705
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0005	-0.0013	HKD	5.5788 5.9775
						KRW	793.96 850.70
AU TWI	63.60					MYR	2.9146 3.1229
AUD/USD	0.7711	0.0002	0.0005	0.0009	0.0016	NOK	6.1411 6.5799
AUD/NZD	1.0715	0.0002	0.0006	0.0011	0.0021	SEK	5.9659 6.3923
AUD/JPY	80.01	-0.01	-0.03	-0.08	-0.24	SGD	0.9553 1.0236
AUD/EUR	0.6349	-0.0003	-0.0009	-0.0018	-0.0041	TWD	20.15 21.59
AUD/GBP	0.5639	0.0000	0.0001	0.0001	-0.0003	ZAR	10.9327 11.7140
USD Index	90.36						
EUR/USD	1.2144	0.0008	0.0025	0.0049	0.0103		
USD/JPY	103.77	-0.03	-0.10	-0.22	-0.52		
GBP/USD	1.3674	0.0002	0.0007	0.0014	0.0034		
EUR/GBP	0.8881	0.0004	0.0013	0.0027	0.0054		

  

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	0.31%	0.27%	0.03%	-0.01%
FRA 90d in 3mths	0.27%	0.24%	0.04%	-0.01%
FRA 180d in 6mths	0.26%	0.23%	0.06%	0.02%
1 year swap*	0.27%	0.25%	0.04%	0.02%
2 year swap*	0.31%	0.29%	0.08%	0.07%
3 year swap*	0.40%	0.38%	0.16%	0.15%
5 year swap*	0.64%	0.62%	0.44%	0.42%
10 year swap*	1.16%	1.13%	1.07%	1.06%
10 year Govt bond		1.07%		1.11%

  

EQUITIES	
	Index
NZX50	13,399
ASX200	6,825
Dow Jones	30,912
S&P 500	3,849
FTSE100	6,639
DAX 30	13,644
Nikkei	28,822

  

COMMODITIES	
	USD
Dubai Light	55.12
Brent Crude	55.72
Gold	1,856.36
Silver	25.40
CRB Index	185.09

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

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