

Market Alert

Thursday 28 January 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7194	-0.0001
NZD/AUD	0.9349	-0.0009
NZD/JPY	74.84	-0.16
NZD/EUR	0.5936	-0.0024
NZD/GBP	0.5248	-0.0005
NZD/CNH	4.6663	0.0553
AUD/USD	0.7695	0.0007
AUD/EUR	0.6350	-0.0020
EUR/USD	1.2118	0.0049
USD/CNH	7.1227	0.0774
GBP/USD	1.3717	0.0013
EUR/GBP	0.8835	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	1.07%	1.09%

Markets look past the positivity

In an interesting move which could upset the Americans, the EU and China have agreed on an investment pact that will strengthen economic ties between both countries.

While there are bound to be geopolitical implications, the pact requires China to open up to EU businesses in an array of sectors, which is potentially credit positive for EU and its companies, although China's expected economic benefits from the agreement are expected to flow through in the next 5-10 years.

In a move that will ultimately have negative implications on Australian iron ore and the AUD, China's Ministry of Industry and Information Technology ("MIIT") announced a series of measures to accelerate the reduction in manufactured steel output.

Measures include a ban on illegal additions to new capacity, bolstering its guidance on capacity swaps, and a push for mergers/restructuring of the steel industry to solve long term issues around competition, unreasonable resource allocation, and weak synergies.

The MIIT said it is firmly committed to having steel output fall in 2021, with its focus predominately on cutting carbon emissions.

However, with Chinese industrial profits soaring to 20.1% in the year December, following on from its previous 15.5% gain, why would you want to reduce production? Essentially, with the industrial sector in China outperforming, the Government just needs the consumer side to catch up!

In other Chinese news, China says it hopes the US will stick with a 'one-China' principle as Taiwan is the most sensitive issue in its relations with the US.

Australia also had a 'pop' after December quarter CPI headlined at 0.9%, much stronger than the expected 0.7%. The 'trimmed mean', the measure most

referred to for core inflation, came out at 0.4% on the quarter and 1.2% on the year. Tradables fell 0.6%, while non-tradables jumped 1.5%.

So, what did this all mean for markets? Well, while the data was good, the markets looked right through it as global indices were a sea of red with most bourses down 1.5%, and only two exchanges in the green ... Shanghai and the Nikkei.

Against this, commodities and bonds were mixed, with the US 10 year yield down to 1.01% while the German 10-year bund yield was up 3 pips to -0.53%.

The NZD/USD and AUD/USD eased slightly to 0.7195 and 0.7700, although the Euro took a harder fall to 1.2060 before recovering to 1.2120 after the German GfK consumer climate indicator fell to an eight-month low of -15.6.

This could quickly change

We have just had the Fed, which will be followed by Chairman Jerome Powell's press conference. The Fed has left the monetary policy unchanged and will maintain its QE programme

The QE program will be maintained at USD80 billion of Treasuries and USD40 billion of mortgage backed securities, with the central bank expected to reinforce that it will not reduce purchases anytime soon.



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Daily Rates

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FX	Spot Mid	FECs (mid)				Spot Mid		
		1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.89					CAD	0.9178	0.9818
NZD/USD	0.7194	0.0000	0.0000	-0.0001	-0.0001	CHF	0.6387	0.6832
NZD/AUD	0.9349	-0.0002	-0.0005	-0.0009	-0.0018	CNY	4.6639	4.9889
NZD/JPY	74.84	-0.02	-0.07	-0.16	-0.38	DKK	4.4147	4.7224
NZD/EUR	0.5936	-0.0004	-0.0012	-0.0024	-0.0052	FJD	1.4642	1.5663
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0005	-0.0013	HKD	5.5761	5.9646
						KRW	796.10	851.58
AU TWI	63.60					MYR	2.9200	3.1234
AUD/USD	0.7695	0.0001	0.0004	0.0007	0.0014	NOK	6.1979	6.6298
AUD/NZD	1.0697	0.0002	0.0006	0.0011	0.0021	SEK	5.9970	6.4149
AUD/JPY	80.06	-0.01	-0.04	-0.09	-0.25	SGD	0.9549	1.0214
AUD/EUR	0.6350	-0.0003	-0.0010	-0.0020	-0.0043	TWD	20.15	21.55
AUD/GBP	0.5610	0.0000	0.0000	0.0000	-0.0003	ZAR	10.9368	11.6989
USD Index	90.51					EQUITIES		
EUR/USD	1.2118	0.0007	0.0025	0.0049	0.0104		Index	
USD/JPY	104.05	-0.03	-0.10	-0.22	-0.51	NZX50	13,374	
GBP/USD	1.3717	0.0002	0.0007	0.0013	0.0033	ASX200	6,781	
EUR/GBP	0.8835	0.0004	0.0014	0.0027	0.0055	Dow Jones	30,547	
						S&P 500	3,793	
INTEREST RATES		New Zealand		Australia		FTSE100	6,567	
		Borrow	Invest	Borrow	Invest	DAX 30	13,620	
30 day bank bills		0.28%	0.24%	0.02%	0.02%	Nikkei	28,635	
90 day bank bills		0.31%	0.27%	0.03%	-0.01%	COMMODITIES		
FRA 90d in 3mths		0.28%	0.24%	0.05%	-0.01%		USD	
FRA 180d in 6mths		0.27%	0.24%	0.06%	0.02%	Dubai Light	55.21	
1 year swap*		0.28%	0.25%	0.03%	0.02%	Brent Crude	55.94	
2 year swap*		0.33%	0.30%	0.08%	0.07%	Gold	1,845.84	
3 year swap*		0.41%	0.38%	0.16%	0.15%	Silver	25.34	
5 year swap*		0.64%	0.61%	0.44%	0.42%	CRB Index	186.48	
10 year swap*		1.18%	1.12%	1.08%	1.07%			
10 year Govt bond			1.05%		1.09%			

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