

Market Alert

Friday 29 January 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7193	0.0000
NZD/AUD	0.9350	-0.0009
NZD/JPY	74.97	-0.16
NZD/EUR	0.5928	-0.0024
NZD/GBP	0.5248	-0.0005
NZD/CNH	4.6559	0.0585
AUD/USD	0.7693	0.0007
AUD/EUR	0.6340	-0.0020
EUR/USD	1.2134	0.0049
USD/CNH	7.1227	0.0816
GBP/USD	1.3737	0.0013
EUR/GBP	0.8833	0.0027

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.29%	0.01%
2 year swap	0.31%	0.07%
10 year Govt	1.08%	1.08%

Retail investors learn a lesson

Following on from yesterday's Fed meeting where Fed Chairman, Jerome Powell, (no relation to Chairman Mao), was stoic on the state of the US economy, his cautionary note quite rightly took some of the exuberance out of US equity markets at the closing bell.

Then, after the close, Facebook and Tesla shares fell hard after positive earnings failed to sufficiently exceed expectations. This saw equity futures, and Asian bourses, get hit across our time zone as institutional traders weighed up the fundamental risks, but, looking at the markets this morning, it's a different story.

And while many will suspect political pressure has been applied to the SEC, given the 'smack-down' institutional dealers have taken from retail investors through irrational movements in companies like GameStop, we probably shouldn't have been surprised by the announcement the SEC will actively monitor option volatility in US equity markets. I guess those large political donations are finally starting to pay off!

This all happened after retail traders produced a massive short squeeze on the biggest hedge funds on Wall Street (forcing prices higher). However, this was reversed yesterday as trading platforms restricted buying activity on GameStop, AMC Entertainment, and other speculative equities, causing their prices to plunge 33.4% and 50.8% respectively.

So, to summarise, US equity markets came back with a vengeance overnight, rallying 2.0-3.0% to recover from their worst daily loss since October. Treasury yields reversed their recent downward trend with the 10 year yield 5bps higher at 1.07%, with the NZD/USD at 0.7190 and AUD/USD at 0.7695

To some extent, markets were helped by the overnight data, which was mildly positive. In the US, Q4 GDP came in at a respectable +4.0% annualised against an expected +4.2%, initial claims decreased to 847k, although last weeks number was upwardly revised to 914k, and new home sales printed below expectations at 842k

against 865k. In Germany, we saw the first signs of inflationary expectations after consumer prices rose 1.0% on the month, their first rise in 7 months.

While the NZD and AUD got knocked off their perch after Jerome Powell's post-FOMC comments, part of the explanation for the NZD underperformance was the poor trade numbers for December, that fell way short of the expected NZD800 million surplus printing at a modest NZD17 million. Exports improved modestly at NZD5.35 billion from November's NZD5.20 billion, but imports jumped to NZD5.33 billion against NZD4.95 billion.

Overnight also saw comments from individual ECB members, with Schnabel stating "We must minimize cliff effects with an abrupt withdrawal of public support" while Kazaks added there is "no need for a rate cut now as other instruments are better suited."

Here comes the sun

Australia's sun-drenched Northern Territory has structured a deal with Sun Cable to supply up to 20% of Singapore's electricity by 2027.

The AUD22 billion Australia-ASEAN Power Link (AAPL) will see up to AUD8 billion invested into the Territory, with the 30GW storage solar farm covering 12,000 hectares. Construction is due to begin in October 2023.



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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	74.79					CAD	0.9200 0.9839
NZD/USD	0.7193	0.0000	0.0000	0.0000	-0.0001	CHF	0.6385 0.6829
NZD/AUD	0.9350	-0.0001	-0.0005	-0.0009	-0.0017	CNY	4.6388 4.9612
NZD/JPY	74.97	-0.02	-0.08	-0.16	-0.37	DKK	4.4083 4.7148
NZD/EUR	0.5928	-0.0004	-0.0012	-0.0024	-0.0051	FJD	1.4717 1.5740
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0005	-0.0013	HKD	5.5757 5.9633
						KRW	799.05 854.59
AU TWI	62.90					MYR	2.8781 3.0782
AUD/USD	0.7693	0.0001	0.0004	0.0007	0.0013	NOK	6.1705 6.5994
AUD/NZD	1.0695	0.0002	0.0005	0.0010	0.0020	SEK	5.9861 6.4022
AUD/JPY	80.19	-0.01	-0.04	-0.10	-0.25	SGD	0.9550 1.0214
AUD/EUR	0.6340	-0.0003	-0.0010	-0.0020	-0.0043	TWD	20.17 21.57
AUD/GBP	0.5600	0.0000	0.0000	0.0000	-0.0004	ZAR	10.8366 11.5899
USD Index	90.44						
EUR/USD	1.2134	0.0007	0.0025	0.0049	0.0104	EQUITIES	
USD/JPY	104.25	-0.03	-0.11	-0.22	-0.51		Index
GBP/USD	1.3737	0.0002	0.0007	0.0013	0.0033	NZX50	13,086
EUR/GBP	0.8833	0.0004	0.0013	0.0027	0.0055	ASX200	6,650
						Dow Jones	30,881
						S&P 500	3,830
						FTSE100	6,526
						DAX 30	13,666
						Nikkei	28,197
						COMMODITIES	
							USD
						Dubai Light	54.02
						Brent Crude	55.68
						Gold	1,840.46
						Silver	25.99
						CRB Index	185.54

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%	0.05%	-0.01%
FRA 180d in 6mths	0.26%	0.23%	0.05%	0.01%
1 year swap*	0.28%	0.24%	0.03%	0.02%
2 year swap*	0.32%	0.30%	0.08%	0.07%
3 year swap*	0.40%	0.37%	0.16%	0.15%
5 year swap*	0.64%	0.61%	0.45%	0.44%
10 year swap*	1.15%	1.13%	1.11%	1.09%
10 year Govt bond		1.06%		1.08%

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

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