

Market Alert

Wednesday 10 February 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7234	-0.0001
NZD/AUD	0.9365	-0.0009
NZD/JPY	75.68	-0.16
NZD/EUR	0.5976	-0.0024
NZD/GBP	0.5248	-0.0004
NZD/CNH	4.6474	0.0574
AUD/USD	0.7725	0.0006
AUD/EUR	0.6381	-0.0019
EUR/USD	1.2106	0.0046
USD/CNH	7.1227	0.0804
GBP/USD	1.3799	0.0009
EUR/GBP	0.8773	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.29%	0.01%
2 year swap	0.37%	0.06%
10 year Govt	1.43%	1.23%

Can I borrow a fiver?

As we approach the Chinese Year, China's banks extended a record high CNY3.6 trillion, or USD550 million, in new yuan loans in January, smashing December's CNY1.2 trillion and the CNY3.3 trillion a year earlier. With plenty of money in the local banking system, loans tend to be higher at the beginning of the year as banks try to grab higher-quality customers and win market share.

Asian real money accounts appear to have re-engaged the US Treasury market overnight, buying mostly at the longer-end of the curve. The purchases, while not aggressive, were notable. While Asian

real money accounts have been noticeably absent from the Treasury market recently, it appears that yesterday's print at 2.0% in the US 30-year bond piqued interest from these key Asian accounts, which often target key psychological yield levels. Interestingly, outright Treasury short positions have surged to their highest level since September 2018, according to a JPMorgan Treasury client survey.

In a similar vein, Goldman Sachs bumped up their US GDP forecasts with Q2 jumping 11.0%, better than the 10.0% forecast previously. This pushed up their FY 21 forecast to 6.8% from 6.6%, and FY 22 to 4.5% against 4.3%. They also see the Fed tapering in early 2022 and have brought forward their rate hike call from late 2024 to early 2024.

The RBNZ's Q1 monetary conditions survey upgraded its 1-year inflation forecast to 1.73% from 1.23%, while the all-important 2-year forecast went to 1.89% from 1.59%. Meanwhile the local truckometer index showed light traffic unchanged in January, although the heavy traffic fell 3.8% on the month. Oh, and there was something about LVR restrictions... yawn!

Australian business confidence jumped to +10 from the previous +4, although business conditions eased to +7 from +14.

With the G7 finance ministers due to meet on Friday, Japanese Finance

Minister Aso let slip they will discuss the old favourite of emerging market debt, but then they will hit new ground with the implementation of digital taxes and central bank digital currencies.

Has the end of Brexit finally seen the pound start to get some loving? Well, maybe after it spiked to 1.3800 ... its highest level since April 2018! And this trend was also present in the euro and yen, after both currencies strengthened against the US dollar as dollar bulls were caught out.

This provided support for the NZD and AUD which are at 0.7230 and 0.7725 respectively against the USD. Internationally, equity and commodity markets were flat, as was the US 10-year yield at 1.15%.

TIPS

The US 10-year breakeven inflation rate is a market-based measure of expected inflation, measured by the difference between the yield of a nominal bond and its inflation-linked bond of the same maturity.

TIPS, as the inflation-linked bonds are known, touched as high of 2.22%, which implies the Fed will miss its 2.0% target on average over the next 10 years. Which supported Fed Dallas President, Robert Kaplan, who warned that *"The temporary jump in inflation or rise won't surprise me – the question for me will be how persistent is it."*



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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	75.11					CAD	0.9192	0.9816
NZD/USD	0.7234	0.0000	-0.0001	-0.0001	-0.0003	CHF	0.6458	0.6896
NZD/AUD	0.9365	-0.0001	-0.0004	-0.0009	-0.0020	CNY	4.6549	4.9708
NZD/JPY	75.68	-0.02	-0.07	-0.16	-0.39	DKK	4.4440	4.7456
NZD/EUR	0.5976	-0.0004	-0.0012	-0.0024	-0.0051	FJD	1.4751	1.5752
NZD/GBP	0.5248	-0.0001	-0.0002	-0.0004	-0.0011	HKD	5.6074	5.9879
						KRW	804.10	858.67
AU TWI	63.60					MYR	2.9367	3.1360
AUD/USD	0.7725	0.0001	0.0003	0.0006	0.0013	NOK	6.1217	6.5371
AUD/NZD	1.0679	0.0001	0.0005	0.0010	0.0023	SEK	6.0310	6.4402
AUD/JPY	80.82	-0.01	-0.04	-0.09	-0.24	SGD	0.9599	1.0250
AUD/EUR	0.6381	-0.0003	-0.0009	-0.0019	-0.0041	TWD	20.25	21.63
AUD/GBP	0.5598	0.0000	0.0000	0.0001	0.0000	ZAR	10.6904	11.4158
USD Index	90.54							
EUR/USD	1.2106	0.0007	0.0023	0.0046	0.0100	EQUITIES		
USD/JPY	104.63	-0.02	-0.10	-0.20	-0.49			Index
GBP/USD	1.3799	0.0001	0.0005	0.0009	0.0023	NZX50		12,928
EUR/GBP	0.8773	0.0004	0.0013	0.0028	0.0057	ASX200		6,821
						Dow Jones		31,403
						S&P 500		3,913
						FTSE100		6,532
						DAX 30		14,012
						Nikkei		29,506
						COMMODITIES		
								USD
						Dubai Light		60.03
						Brent Crude		60.96
						Gold		1,835.31
						Silver		27.25
						CRB Index		195.25

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	0.29%	0.26%	0.05%	0.00%
FRA 180d in 6mths	0.33%	0.30%	0.06%	0.02%
1 year swap*	0.30%	0.27%	0.03%	0.02%
2 year swap*	0.39%	0.36%	0.07%	0.06%
3 year swap*	0.54%	0.52%	0.15%	0.14%
5 year swap*	0.88%	0.86%	0.49%	0.47%
10 year swap*	1.49%	1.47%	1.24%	1.23%
10 year Govt bond		1.41%		1.23%

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

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