

Market Alert

Thursday 11 February 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7214	-0.0001
NZD/AUD	0.9337	-0.0009
NZD/JPY	75.50	-0.16
NZD/EUR	0.5947	-0.0023
NZD/GBP	0.5248	-0.0004
NZD/CNH	4.6399	0.0576
AUD/USD	0.7727	0.0006
AUD/EUR	0.6369	-0.0019
EUR/USD	1.2131	0.0046
USD/CNH	7.1227	0.0810
GBP/USD	1.3847	0.0008
EUR/GBP	0.8761	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.29%	0.01%
2 year swap	0.36%	0.06%
10 year Govt	1.39%	1.22%

Inflation ... it's not as we know it, Jim

US annual consumer inflation stood at 1.4% in January, unchanged from the previous month and below market expectations of 1.5%. The rate has remained below the Fed's 2% target rate for an eleventh straight month.

The monthly rate edged up to 0.3%, matching forecasts, mainly due to a 7.4% jump in gasoline prices. Still, it was better than China, where CPI contracted -0.3% on the year against an expected 0.0%, while PPI was in-line with expectations at +0.3%.

With so much liquidity in the financial system, old-school economics suggests we should be starting to see a rise in inflationary pressures as per the recent increases in inflation-linked bond yields, but as yet, and even with the recent surge in oil prices, we have yet to see tangible evidence of inflationary pressures ... let alone any 'over-shoot.' This was further evidenced by ECB President, Christine Lagarde's comment, *"Inflation is not converging to goal over the medium term."*

Stocks eased lower for a second straight day, while the US 10-year Treasury yield dipped to 1.14% after the tame inflation readings raised worries that short-term economic growth remains lacklustre. The NZD/USD and AUD/USD also eased to 0.7215 and 0.7725 respectively.

The RBNZ Governor, Adrian Orr, stated *"The LVR rules will help head off growing financial stability risks"* before adding he's *"concerned a sharp drop in the NZ housing market could do harm."* He then added that COVID-19 remains a risk, and that he is still awaiting a response on including debt-to-income ratios, from New Zealand's Finance Minister.

New Zealand's Ministry for Primary Industries is seeking clarification from China after it suspended imports from 2 factories due to, *"issues around the interpretation of the World Health Organisation's COVID-19 guidance, and food safety management."* This comes as the WHO investigation team put

forward cold-chain transmission as a possible source for the original outbreak, while China's health authorities have consistently said they are finding COVID-19 on frozen food imports and have linked infections in the country to pig heads and seafood. China's foreign direct investment rose +4.6% on the year in yuan terms, or +6.2% in USD terms.

RBA board member, Ian Harper, said Australia's unemployment is too high and that the economy has lost too much activity for monetary stimulus to be fuelling excessive stock and property valuations. Australia's Consumer Confidence Index for February jumped +1.9% on the month, which was better than the previous -4.5% contraction, while the BoJ is said to be mulling ways to communicate that the bank has room to cut its interest rate further below zero.

The digital section

There were a few comments by central bankers overnight on digital currencies. First up was ECB President, Christine Lagarde, stating she *"Hopes that a digital euro will be ready in about 4 years."*

The BoC's deputy Governor, Timothy Lane, stated *"private sector digital currencies are deeply flawed"* before adding that the recent spike in cryptocurrency prices was *"speculative mania."*

Bitcoin is off 3.1% to USD45,000, it's time to close out that position!



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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	74.92					CAD	0.9157	0.9808
NZD/USD	0.7214	0.0000	-0.0001	-0.0001	-0.0004	CHF	0.6419	0.6875
NZD/AUD	0.9337	-0.0001	-0.0004	-0.0009	-0.0019	CNY	4.6585	4.9895
NZD/JPY	75.50	-0.02	-0.07	-0.16	-0.39	DKK	4.4226	4.7368
NZD/EUR	0.5947	-0.0003	-0.0011	-0.0023	-0.0051	FJD	1.4691	1.5735
NZD/GBP	0.5248	-0.0001	-0.0002	-0.0004	-0.0011	HKD	5.5921	5.9895
						KRW	797.72	854.41
AU TWI	63.60					MYR	2.9236	3.1314
AUD/USD	0.7727	0.0001	0.0003	0.0006	0.0012	NOK	6.0977	6.5310
AUD/NZD	1.0711	0.0002	0.0005	0.0010	0.0022	SEK	5.9977	6.4239
AUD/JPY	80.87	-0.01	-0.04	-0.09	-0.25	SGD	0.9568	1.0248
AUD/EUR	0.6369	-0.0003	-0.0009	-0.0019	-0.0042	TWD	20.20	21.63
AUD/GBP	0.5580	0.0000	0.0001	0.0001	0.0000	ZAR	10.6439	11.4003
USD Index	90.35							
EUR/USD	1.2131	0.0007	0.0022	0.0046	0.0099	EQUITIES		
USD/JPY	104.66	-0.02	-0.09	-0.20	-0.48			Index
GBP/USD	1.3847	0.0001	0.0004	0.0008	0.0022	NZX50		12,830
EUR/GBP	0.8761	0.0004	0.0013	0.0028	0.0058	ASX200		6,857
						Dow Jones		31,403
						S&P 500		3,910
						FTSE100		6,524
						DAX 30		13,933
						Nikkei		29,563
						COMMODITIES		
								USD
						Dubai Light		60.39
						Brent Crude		61.44
						Gold		1,842.82
						Silver		27.05
						CRB Index		195.77

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*	0.37%	0.34%	0.07%	0.06%
3 year swap*	0.51%	0.48%	0.14%	0.13%
5 year swap*	0.83%	0.80%	0.49%	0.47%
10 year swap*	1.42%	1.40%	1.24%	1.22%
10 year Govt bond		1.38%		1.22%

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

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