

Market Alert

Friday 12 February 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7227	-0.0001
NZD/AUD	0.9323	-0.0009
NZD/JPY	75.70	-0.15
NZD/EUR	0.5959	-0.0023
NZD/GBP	0.5248	-0.0004
NZD/CNH	4.6409	0.0578
AUD/USD	0.7751	0.0007
AUD/EUR	0.6391	-0.0019
EUR/USD	1.2128	0.0046
USD/CNH	7.1227	0.0808
GBP/USD	1.3809	0.0008
EUR/GBP	0.8783	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.29%	0.01%
2 year swap	0.35%	0.06%
10 year Govt	1.30%	1.19%

The political stuff

US President Biden and China President Xi spoke for the first time late yesterday.

By all accounts, the US will look at new targeted restrictions on sensitive technology exports to China, and while there will be changes in trade policy, the US is not going to act precipitously to lift tariffs to China, with US policy based on the premise that the US will be better off working with allies rather than unilaterally.

After the call, President Biden tweeted, yes, you read that correctly "I will work with China when it benefits the American people."

On the other side of the coin, reports from China State TV stated they exchanged views on bilateral relations, and international and regional issues. President Xi advised President Biden that a confrontation between China and the USA would be a disaster for both countries, and that he hopes the US cautiously handles matters related to Taiwan, HK and Xinjiang. President Xi then advised President Biden that the two power houses should re-establish various dialogue mechanisms to accurately understand each other's political intentions and avoid misunderstandings. Co-operation is the only correct choice for China and US.

In other US news, it's not what you know ... it's who you know. US President Biden is considering Michigan State University economist, and a member of the Biden transition team, Lisa Cook, for a seat on the Federal Reserve Board.

Australian Treasury Secretary, Steven Kennedy, announced "the country's economy is recovering faster than expected. It will be a consumption-led recovery from households, (although) much depends on confidence, particularly on outcomes surrounding the virus. Looking forward to business investment increasing this year and next."

The 'real world' stuff

The European Commission lowered its GDP forecasts saying the resurgence of

new, more contagious COVID-19 strains forced many countries to reintroduce or tighten containment measures, as per the Irish and German lockdown extensions. The Eurozone is forecasting 3.8% growth this year and the same in 2022, compared with November's estimates of a 4.2% in 2021 and 3.0% in 2022.

Looking at the data overnight, US initial claims fell to 793,000, slightly down on the previous week's revised figure of 812,000, but above market expectations of 757,000. In New Zealand, electronic card spending fell 1.2% in the month of January while retail card spending fell 0.4%, for the fourth consecutive month of decline.

With the Ireland and Germany extending lockdowns due to the new strains, South Australia closing its border with Victoria, and the poor CPI prints earlier in the week, you would think equity markets would be self-correcting given the vaccine inspired, over-hyped rallies. Well, if you thought that you would be wrong. The European Stoxx market has recovered to be a smidge off their pre-COVID-19 highs, while US equities are flat-lining at their highs. It does make you wonder, even with the USD 1.9 trillion stimulus, are we about to see a correction?

For the record, commodity markets are off a touch, the US 10-year yield is at 1.16%, the bund -0.44%, and the NZD/USD and AUD/USD are at 0.7230 and 0.7750 respectively.



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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	75.01					CAD	0.9174	0.9840
NZD/USD	0.7227	0.0000	0.0000	-0.0001	-0.0003	CHF	0.6437	0.6904
NZD/AUD	0.9323	-0.0001	-0.0004	-0.0009	-0.0020	CNY	4.6664	5.0053
NZD/JPY	75.70	-0.02	-0.07	-0.15	-0.38	DKK	4.4310	4.7528
NZD/EUR	0.5959	-0.0003	-0.0011	-0.0023	-0.0051	FJD	1.4704	1.5772
NZD/GBP	0.5248	0.0000	-0.0002	-0.0004	-0.0011	HKD	5.6019	6.0086
						KRW	797.25	855.14
AU TWI	63.60					MYR	2.9178	3.1296
AUD/USD	0.7751	0.0001	0.0003	0.0007	0.0013	NOK	6.1299	6.5750
AUD/NZD	1.0726	0.0001	0.0005	0.0011	0.0023	SEK	6.0194	6.4565
AUD/JPY	81.19	-0.01	-0.04	-0.08	-0.23	SGD	0.9576	1.0271
AUD/EUR	0.6391	-0.0003	-0.0009	-0.0019	-0.0041	TWD	20.23	21.70
AUD/GBP	0.5613	0.0000	0.0001	0.0002	0.0001	ZAR	10.5778	11.3459
USD Index	90.41							
EUR/USD	1.2128	0.0007	0.0023	0.0046	0.0098	EQUITIES		
USD/JPY	104.76	-0.02	-0.09	-0.20	-0.48			Index
GBP/USD	1.3809	0.0001	0.0004	0.0008	0.0022	NZX50		12,761
EUR/GBP	0.8783	0.0004	0.0014	0.0028	0.0057	ASX200		6,850
						Dow Jones		31,323
						S&P 500		3,905
						FTSE100		6,529
						DAX 30		14,041
						Nikkei		29,563
						COMMODITIES		
								USD
						Dubai Light		60.33
						Brent Crude		61.21
						Gold		1,826.19
						Silver		26.99
						CRB Index		195.11

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*	0.36%	0.34%	0.07%	0.06%
3 year swap*	0.49%	0.46%	0.14%	0.13%
5 year swap*	0.80%	0.77%	0.49%	0.47%
10 year swap*	1.39%	1.37%	1.24%	1.22%
10 year Govt bond		1.28%		1.19%

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

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