

# Market Alert

Monday 15 February 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7221	-0.0001
NZD/AUD	0.9297	-0.0009
NZD/JPY	75.76	-0.15
NZD/EUR	0.5955	-0.0023
NZD/GBP	0.5248	-0.0004
NZD/CNH	4.6329	0.0578
AUD/USD	0.7761	0.0007
AUD/EUR	0.6403	-0.0019
EUR/USD	1.2120	0.0046
USD/CNH	7.1227	0.0809
GBP/USD	1.3852	0.0008
EUR/GBP	0.8750	0.0028

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.29%	0.01%
2 year swap	0.35%	0.07%
10 year Govt	1.30%	1.22%

## COVID-19 returns down under

COVID-19 has returned with a vengeance forcing Auckland into a new, three-day lockdown, while Victoria entered a "circuit-breaker" five day lockdown from Saturday. Hopefully, these, 'go-hard, go-fast' measures will have their desired effect, but don't worry ... the tennis will continue, and the Prada cup will, hopefully, just be delayed by a day.

These measures will, no doubt, knock the confidence in both of these countries, but hopefully, with good coffee, we'll get through it relatively unscathed – but – hey, let's be careful out there!

Internationally, the data wasn't that good either going into the weekend. The USA's University of Michigan's consumer sentiment survey fell to 76.2 in February, to be the lowest reading since August and well below market forecasts of 80.8. Breaking it down further, expectations slipped to 69.8 from 74, while the current conditions gauge eased to 86.2 from 86.7. Interestingly, inflation expectations for the year ahead increased to 3.3% from 3.0%, while the 5 year outlook was unchanged at 2.7%. In the UK, Q4 GDP expanded by 1.0% in the quarter to beat forecasts of 0.5%. Despite two consecutive quarters of growth, following on from the 16.1% Q3 print, UK GDP fell 7.8% on an annual basis, but, markets shrugged off this data as equity markets closed in positive territory.

Investors remained positive on stimulus and vaccines after President Joe Biden announced his administration had purchased another 200 million doses of COVID-19 vaccines from Moderna and Pfizer, bringing the US total to 600 million.

European and US markets were broadly up 0.5%, while commodity prices were also buoyant with oil the stand out performer rallying 2.5% on recovery expectations – West Texas crude oil closed at USD59.68 while Brent finished up at USD62.65.

US bond yields also firmed on the University of Michigan's inflation expectations with the 10 year yield up to an impressive 1.21%, although the

German bund equivalent remained subdued at -0.46%.

Currently, the NZD/USD is unchanged at 0.7215, the AUD/USD is bid at 0.7760, and the NZD/AUD cross rate has eased to 0.9300.

This week the Fed, ECB and RBA will be releasing policy meeting minutes. There will also be flash PMI surveys for the US, UK, Eurozone, Japan and Australia that will provide an insight into the state of the global economy, and also US retail sales and industrial output; Canadian and UK inflation data and retail trade; Japan and Eurozone Q4 GDP; and Australia employment figures. In New Zealand, we have REINZ house prices, migration numbers, and the GDT auction.

## Beyond the numbers

In other news, Japan has suffered a 7.3 magnitude earthquake off Fukushima which caused 146 injuries and sparked power outages across the country. In a strange quirk of fate, it was almost 10 years to the day since the 9.0 quake that sparked the tsunami and nuclear meltdown in the same area.

Finally, less than a week after Bitcoin soared on Tesla's announcement that Elon Musk had purchased USD1.5 billion in the cryptocurrency on behalf of his company, bitcoin hit a new all-time high over the weekend trading at USD49,700 before reversing modestly.



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