

# Market Alert

Thursday 18 February 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7182	-0.0003
NZD/AUD	0.9272	-0.0011
NZD/JPY	76.04	-0.17
NZD/EUR	0.5967	-0.0025
NZD/GBP	0.5248	-0.0005
NZD/CNH	4.6271	0.0587
AUD/USD	0.7747	0.0006
AUD/EUR	0.6436	-0.0019
EUR/USD	1.2037	0.0046
USD/CNH	7.1227	0.0841
GBP/USD	1.3860	0.0008
EUR/GBP	0.8685	0.0028

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.28%	0.02%
2 year swap	0.38%	0.08%
10 year Govt	1.52%	1.40%

## As the great Engelbert Humperdinck said ...

*"Please release me Jacinda, let me be."*

There was a fair old chunk of data last night. US retail sales jumped 5.3% in the month of January, beating market forecasts of a 1.1% increase. This print was the strongest gain since June as new stimulus cheques helped to boost consumer spending.

The February US NAHB housing market index was also up a solitary point to 84, while US December business inventories rose 0.6% against the +0.5% expected. Lastly, the final demand producer price index jumped

1.3% for the month of January, beating market forecasts of a 0.4% gain, to record its largest advance since the series began in December 2009, mainly due to a record 1.3% rise in the cost of services.

We also had construction output in the Euro Area which contracted 2.3% from a year earlier, while annual consumer inflation in the UK edged up to 0.7% in January from 0.6% in December, slightly above market forecasts of 0.6%. In Canada, the annual inflation rate rose to 1.0% in January from 0.7% in December. Finally, the Japanese trade balance for January was -JPY323.9 billion, better than the expected -JPY625 billion, with January exports to China up +37.5% on the year.

US Treasury Secretary, Janet Yellen, in a conversation with the EU trade commissioner, Valdis Dombrovskis, stated that the US is committed to re-engaging with the OECD in talks on international taxation.

Deputy RBA Governor, Guy Debelle, stated that the Australian dollar would be 5% higher if it was not for the RBA policy steps, while BoE member, Dave Ramsden, stated *"we are ready to implement simple negative rates,"* although, *"we need to distinguish between the feasibility of negative rates, and their potential effectiveness in the UK."*

While central banks may, or may not, be seeing inflationary pressures, the Kraft Heinz CEO is stating *"we have inflation, we are seeing inflation, we are concerned*

*about inflation. Where we are seeing inflation in grains and everything related to grains. Sugar has big inflation"* That bottle of tomato sauce just got more expensive!

Simply put, market expectations for US inflation rates have reached their highest levels in a decade, driven by prospects of the USD1.9 trillion fiscal package, progress on vaccine rollouts, and pent up consumer demand. This saw the US 10 year treasury yield peak at 1.33% before paring its gains to be at 1.29%, while the 10-year bund continued its 'less-negative' climb to yield -0.35%. Equity markets across Europe and the US were all marginally lower, although commodities were broadly higher.

Meanwhile, in the lead up to next weeks RBNZ meeting, the NZD/USD and AUD/USD were steady off our close at 0.7185 and 0.7750 having eased lower later yesterday.

## North Korea upping their tech game

North Korean computer programmers have been indicted by US Federal authorities following a series of cyberattacks to steal and extort more than USD1.3 billion in cash and cryptocurrency from financial institutions and companies. Meanwhile the BBC has reported North Korea attempted to steal the COVID-19 vaccine from Pfizer ... which is just crazy as North Korea hasn't had any COVID-19 cases!



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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	74.71					CAD	0.9127 0.9844
NZD/USD	0.7182	0.0000	-0.0001	-0.0003	-0.0007	CHF	0.6456 0.6963
NZD/AUD	0.9272	-0.0002	-0.0005	-0.0011	-0.0023	CNY	4.6391 5.0036
NZD/JPY	76.04	-0.02	-0.08	-0.17	-0.43	DKK	4.4376 4.7863
NZD/EUR	0.5967	-0.0004	-0.0012	-0.0025	-0.0054	FJD	1.4595 1.5741
NZD/GBP	0.5248	-0.0001	-0.0002	-0.0005	-0.0013	HKD	5.5682 6.0057
						KRW	794.91 857.37
AU TWI	63.80					MYR	2.9100 3.1386
AUD/USD	0.7747	0.0001	0.0003	0.0006	0.0012	NOK	6.1088 6.5887
AUD/NZD	1.0786	0.0002	0.0006	0.0012	0.0027	SEK	5.9815 6.4514
AUD/JPY	82.02	-0.01	-0.04	-0.09	-0.25	SGD	0.9541 1.0291
AUD/EUR	0.6436	-0.0003	-0.0009	-0.0019	-0.0042	TWD	20.11 21.69
AUD/GBP	0.5589	0.0000	0.0001	0.0001	0.0001	ZAR	10.5351 11.3629
USD Index	90.96						
EUR/USD	1.2037	0.0007	0.0023	0.0046	0.0098	<b>EQUITIES</b>	
USD/JPY	105.89	-0.02	-0.09	-0.20	-0.49		<b>Index</b>
GBP/USD	1.3860	0.0001	0.0004	0.0008	0.0021	NZX50	12,674
EUR/GBP	0.8685	0.0004	0.0013	0.0028	0.0058	ASX200	6,885
						Dow Jones	31,544
						S&P 500	3,923
						FTSE100	6,711
						DAX 30	13,909
						Nikkei	30,292
						<b>COMMODITIES</b>	
							<b>USD</b>
						Dubai Light	62.61
						Brent Crude	64.18
						Gold	1,775.44
						Silver	27.31
						CRB Index	200.10

  

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	0.30%	0.26%	0.04%	0.00%
FRA 90d in 3mths	0.30%	0.25%	0.05%	0.00%
FRA 180d in 6mths	0.33%	0.30%	0.09%	0.05%
1 year swap*	0.30%	0.28%	0.04%	0.03%
2 year swap*	0.39%	0.36%	0.09%	0.08%
3 year swap*	0.54%	0.52%	0.18%	0.18%
5 year swap*	0.92%	0.89%	0.60%	0.58%
10 year swap*	1.63%	1.61%	1.44%	1.42%
10 year Govt bond		1.50%		1.40%

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

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