

CURRENCIES	Spot	6mths
NZD/USD	0.7210	-0.0003
NZD/AUD	0.9287	-0.0011
NZD/JPY	76.20	-0.18
NZD/EUR	0.5967	-0.0025
NZD/GBP	0.5248	-0.0005
NZD/CNH	4.6591	0.0591
AUD/USD	0.7763	0.0006
AUD/EUR	0.6425	-0.0020
EUR/USD	1.2082	0.0046
USD/CNH	7.1227	0.0851
GBP/USD	1.3966	0.0008
EUR/GBP	0.8651	0.0028
INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.28%	0.02%
2 year swap	0.36%	0.08%
10 year Govt	1.49%	1.37%

Under Pressure

Freddie said it best, but Adrian Orr is under pressure as there are now 2 local banks forecasting the RBNZ will raise the OCR in mid-to-late 2022. While Mr Orr will not be happy with this, the real question is, how is he going to manage expectations without pushing the NZD and interest rates higher?

Internationally, the data wasn't that good overnight. US initial claims increased to 861,000 against market expectations of a modest 765,000, while a further 516,000 people applied for help from the Pandemic Unemployment Assistance scheme, which covers workers that do not qualify for initial claims, compared to 342,000 in the previous period. US crude inventories also dropped for the fourth consecutive week as the winter storms impacted production, while housing starts sank 6.0% on the month, although building permits soared 10.4%.

The release of the January FOMC minutes highlighted a considerably stronger outlook for 2021 relative to the December forecast. The headlines showed that monetary policy will remain accommodative, inflation was projected to moderately overshoot 2.0% some time beyond 2023, and, with interest rates at the lower bound, the Committee judged that downward risks to employment and inflation have increased. With regards to upside risks, some participants pointed to the possibility that fiscal policy could turn out to be more expansionary than anticipated.

Off the back of this, Goldman's ramped up its US GDP growth to 7.0% in 2021, forecast the unemployment rate will fall to 4.1%, and core PCE inflation will rise to 1.85% by year-end 2021. Interestingly, they are also predicting that 50.0% of the population is expected to be vaccinated by May 2021.

In the Euro zone, inflationary pressures remain subdued after CPI increased a modest 0.1% on the month against a contraction of 0.2% for the year, while the producer price index showed a similar trend with a 2.2% jump on the month, with a 3.0% shrinkage on the year. Eurozone February consumer confidence also fell to -14.8 versus the expected -15.0.

This was backed up by the January minutes from the ECB meeting, which highlighted policymakers concerns that headline inflation was at a very low level and that it continued to be 'distant' from the ECB target, while a further appreciation of the euro posed risk to the inflation outlook.

There was some good news with the positive Australian January jobs report, 29,100 workers were added to the workforce against an expected 30,000, but in amongst the detail, 59,000 full-time workers were added while part-time workers decreased by 29,800. This saw the unemployment rate fall to 6.4%, against the 6.5% expected, with a solid participation rate at 66.1%.

What did the markets make of all this?

International equities fell 0.5-1.0% to their lowest levels in two weeks and bond yields edged higher as concern grew that rising borrowing costs could sap a rally that's driven equity values to historic highs.

The 10-year US yield flatlined at 1.28% although the bund yield jumped to -0.37%. The NZD/USD and AUD/USD were both steady at 0.7210 and 0.7765 respectively.











FX	Spot	Spot FECs (mid)					Spot	Spot Mid	
	Mid	1mth	3mths	6mths	12mths		NZD/	AUD/	
NZ TWI	74.97					CAD	0.9156	0.9859	
NZD/USD	0.7210	-0.0001	-0.0002	-0.0003	-0.0009	CHF	0.6463	0.6959	
NZD/AUD	0.9287	-0.0002	-0.0006	-0.0011	-0.0026	CNY	4.6771	5.0362	
NZD/JPY	76.20	-0.02	-0.08	-0.18	-0.45	DKK	4.4372	4.7779	
NZD/EUR	0.5967	-0.0004	-0.0013	-0.0025	-0.0055	FJD	1.4696	1.5824	
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0005	-0.0014	HKD	5.5893	6.0184	
						KRW	798.83	860.16	
AU TWI	63.90					MYR	2.9159	3.1398	
AUD/USD	0.7763	0.0001	0.0003	0.0006	0.0012	NOK	6.1096	6.5787	
AUD/NZD	1.0768	0.0002	0.0007	0.0013	0.0030	SEK	5.9966	6.4570	
AUD/JPY	82.05	-0.01	-0.04	-0.09	-0.25	SGD	0.9570	1.0305	
AUD/EUR	0.6425	-0.0003	-0.0010	-0.0020	-0.0042	TWD	20.15	21.70	
AUD/GBP	0.5558	0.0000	0.0000	0.0001	0.0001	ZAR	10.5501	11.3600	
USD Index	90.61								
EUR/USD	1.2082	0.0007	0.0023	0.0046	0.0098	EQUITIES			
USD/JPY	105.70	-0.02	-0.09	-0.20	-0.48	•		Index	
GBP/USD	1.3966	0.0001	0.0004	0.0008	0.0019	NZX50		12,634	
EUR/GBP	0.8651	0.0004	0.0014	0.0028	0.0058	ASX20	0	6,886	
						Dow Jo	ones	31,479	
INTEREST	New Zealand		Australia		S&P 500		3,909		
RATES		Borrow	Invest	Borrow	Invest	FTSE10	0	6,617	
						DAX 3	0	13,887	
30 day bank bills		0.28%	0.24%	0.02%	0.02%	Nikkei 30,23		30,236	

 COMMODITIES
 USD

 Dubai Light
 62.87

 Brent Crude
 63.68

 Gold
 1,774.88

 Silver
 27.02

 CRB Index
 200.23

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

0.30%

0.29%

0.33%

0.30%

0.38%

0.52%

0.89%

1.59%

0.26%

0.26%

0.30%

0.27%

0.35%

0.50%

0.86%

1.56%

1.47%

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.

0.04%

0.05%

0.08%

0.04%

0.09%

0.19%

0.60%

1.43%

0.00%

0.00%

0.04%

0.03%

0.08%

0.18%

0.58%

1.42%

1.37%



90 day bank bills

FRA 90d in 3mths

FRA 180d in 6mths

1 year swap*

2 year swap*

3 year swap*

5 year swap*

10 year swap*

10 year Govt bond





