

Market Alert

Tuesday 2 February 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7162	-0.0001
NZD/AUD	0.9383	-0.0010
NZD/JPY	75.16	-0.15
NZD/EUR	0.5935	-0.0024
NZD/GBP	0.5248	-0.0005
NZD/CNH	4.6387	0.0543
AUD/USD	0.7633	0.0007
AUD/EUR	0.6325	-0.0019
EUR/USD	1.2067	0.0048
USD/CNH	7.1227	0.0763
GBP/USD	1.3672	0.0012
EUR/GBP	0.8826	0.0027

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.29%	0.01%
2 year swap	0.31%	0.08%
10 year Govt	1.18%	1.15%

The yo-yo continues

Following the extreme sell-off going into last week's close, equity markets have performed a spectacular bounce back after the largest technology companies rallied and several strategists said the recent battle between retail traders and hedge funds won't derail the equity bull market.

European stocks jumped overnight following their biggest weekly drop in 3 months, the Nasdaq is currently up over 2.5%, while the S&P500 has rebounded from its worst sell-off since October. And we all know what this means ... with a return to speculative

buying and international bourses and commodity markets all 'in the green,' the risk commodity currencies will once again find support. Currently the NZD/USD is at 0.7165 and, with the AUD/USD trading at 0.7635, the NZD/AUD cross has firmed to 0.9385.

Interestingly, while speculators have helped markets recover from last week's losses, Robinhood's biggest backers are ploughing even more money into the online brokerage at an unprecedented pace after investors pumped an additional USD3.4 billion into the company. The cash infusions come as Robinhood grapples with outraged customers, increased scrutiny from Washington, and questions about its plans for May's IPO. Interestingly, in amongst Friday's heightened volatility, there appeared to be more than 600,000 downloads of the Robinhood trading app.

While speculators don't really care about the underlying economic data, it should be noted that US ISM manufacturing PMI fell to 58.7 in January from 60.5 in December, while the Eurozone's seasonally adjusted unemployment rate stood at 8.3% in December 2020 which was up from 7.4% 12-months ago but in line with market expectations. There were also a couple of statements from Fed members, Kaplan and Kashkari, which highlighted the Fed's cautionary approach with "We're looking for persistent trends in inflation, not transitory ones" and "Real unemployment rate is around 10%."

Politically there have been a few developments as well after EC President Von Der Leyen publicly blamed the EU Trade Chief for the vaccine export gaffe although Chancellor Merkel confirmed Germany will be in a position to offer the vaccine to all citizens by the end of summer.

So, the real question within this environment reverts to "how do I manage my risk?" In the interests of prudent risk management, take the time for a quick phone call with your friendly Treasury advisor to fully understand the economic and political consequences. It's only by fully understanding the risks that you'll be able to appropriately structure the most appropriate risk mitigant tool.

Yet another shiny metal

Silver jumped to an almost eight year high with the surge accentuated by a retail investor frenzy in a similar mode to the buying stampede in GameStop Corp. and other small cap stocks, that has captivated the financial world in recent weeks. Silver's initial advance was traced to posts on Reddit's WallStreetBets forum.

It's going to be a busy week again, with earnings season in full steam ahead as companies report results, including Alibaba, GlaxoSmithKline, Ferrari, Exxon Mobil, BNP Paribas and Yum! We also have the RBA today and the BoE on Thursday evening, and US January payroll report overnight Friday.



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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	74.76					CAD	0.9192 0.9796
NZD/USD	0.7162	0.0000	0.0000	-0.0001	-0.0001	CHF	0.6422 0.6844
NZD/AUD	0.9383	-0.0002	-0.0005	-0.0010	-0.0018	CNY	4.6321 4.9367
NZD/JPY	75.16	-0.02	-0.07	-0.15	-0.37	DKK	4.4143 4.7045
NZD/EUR	0.5935	-0.0004	-0.0012	-0.0024	-0.0051	FJD	1.4662 1.5626
NZD/GBP	0.5248	-0.0001	-0.0002	-0.0005	-0.0012	HKD	5.5525 5.9176
						KRW	801.47 854.17
AU TWI	63.00					MYR	2.8998 3.0905
AUD/USD	0.7633	0.0001	0.0004	0.0007	0.0014	NOK	6.1529 6.5574
AUD/NZD	1.0658	0.0002	0.0006	0.0011	0.0021	SEK	6.0322 6.4288
AUD/JPY	80.10	-0.01	-0.03	-0.08	-0.24	SGD	0.9544 1.0171
AUD/EUR	0.6325	-0.0003	-0.0009	-0.0019	-0.0042	TWD	20.05 21.37
AUD/GBP	0.5583	0.0000	0.0000	0.0000	-0.0003	ZAR	10.7852 11.4944
USD Index	90.98						
EUR/USD	1.2067	0.0007	0.0024	0.0048	0.0102	EQUITIES	
USD/JPY	104.95	-0.02	-0.10	-0.21	-0.50		Index
GBP/USD	1.3672	0.0002	0.0006	0.0012	0.0030	NZX50	13,097
EUR/GBP	0.8826	0.0004	0.0013	0.0027	0.0055	ASX200	6,663
						Dow Jones	30,197
						S&P 500	3,775
						FTSE100	6,466
						DAX 30	13,622
						Nikkei	28,091
						COMMODITIES	
							USD
						Dubai Light	54.58
						Brent Crude	56.26
						Gold	1,859.28
						Silver	28.85
						CRB Index	188.05

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	0.27%	0.24%	0.05%	0.00%
FRA 180d in 6mths	0.26%	0.23%	0.06%	0.02%
1 year swap*	0.28%	0.25%	0.03%	0.02%
2 year swap*	0.33%	0.30%	0.08%	0.07%
3 year swap*	0.43%	0.40%	0.17%	0.15%
5 year swap*	0.68%	0.66%	0.47%	0.46%
10 year swap*	1.24%	1.21%	1.17%	1.15%
10 year Govt bond		1.16%		1.15%

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

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