

Market Alert

Monday 22 February 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7295	-0.0005
NZD/AUD	0.9278	-0.0012
NZD/JPY	76.88	-0.19
NZD/EUR	0.6024	-0.0026
NZD/GBP	0.5248	-0.0006
NZD/CNH	4.7237	0.0578
AUD/USD	0.7864	0.0005
AUD/EUR	0.6493	-0.0020
EUR/USD	1.2112	0.0045
USD/CNH	7.1227	0.0835
GBP/USD	1.4015	0.0007
EUR/GBP	0.8642	0.0028

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.28%	0.02%
2 year swap	0.36%	0.12%
10 year Govt	1.51%	1.43%

PBoC unchanged

The PBoC left its benchmark interest rates for corporate and household loans steady for the tenth straight month at its February fixing, as the economy continues to recover from the COVID-19 downturn.

The one-year loan prime rate ("LPR") was left unchanged at 3.85%, while the five-year remained at 4.65%.

Even though the latest USD1.9 trillion bill has yet to be passed, the White House is busy plotting strategies for further fiscal spending, which could be unveiled as early as next month.

The centrepiece will possibly be the biggest infrastructure spending commitment since the New Deal in the 1930's, and it sounds remarkably similar to it with spending on roads, bridges and rural broadband internet. Progressives are eyeing even more, such as an expansion of Obamacare and a public-sector jobs program, along with tax measures including an increase in the capital gains levy.

This week, much of the focus will be on Fed Chair, Jerome Powell's testimony to Congress. While the central bank chief will inevitably echo remarks that policy makers are fully committed to supporting the economy, investors will also look for any sign that he's troubled by steeper, long-term borrowing costs after last week's inflation expectations surge fuelled a rout in Treasuries which saw the US 10-years bond yield rise to 1.34%, and also tipped over into the 'real' economy with the US 30-year mortgage fixed loan rate jumping to 3.0%.

This also had a knocked-on effect on emerging markets as developing nations also saw their locally traded bonds have their worst week since September. This saw the NZ and AU swap rates jump to 1.60% and 1.52% respectively, while the NZD and AUD powered to new highs, with the NZD/USD at 0.7295 and the AUD/USD at 0.7860.

The NZD will be particularly volatile this week with the RBNZ meeting on

Wednesday, and with a stronger domestic economy, the RBNZ will inevitably revise its GDP, employment and inflation forecasts higher, yet Adrian Orr may still look to portray a dovish tone within the minutes stressing that tapering, and rate hikes remain a long way off.

This will require a very fine balancing act from the Governor as anything too pessimistic will be viewed as 'scaremongering' and ignored given the underlying economic fundamentals, while anything positive will see interest rates and the NZD rally even higher.

Against the rally in bond yields, equity markets lost a bit of their shine with the S&P down for its fourth day in a row as US, UK and Japanese equities all closed in the red. Interestingly, it was a slightly different story in Europe where most bourses closed up 0.5-1.0%.

Commodities saw a slight change at the end of the week after spot gold recovered from a 7-month low and gained 0.3% to USD1781 on Friday, while oil and gas saw profit taking with crude down 2.5% and Brent off 2.0%.

The best of the rest

Yes, bitcoin is a little unusual, with one of the factors being that it continues to trade during weekends, as proven when it hit USD57,000 this weekend.



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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	75.55					CAD	0.9209	0.9925
NZD/USD	0.7295	-0.0001	-0.0003	-0.0005	-0.0011	CHF	0.6540	0.7048
NZD/AUD	0.9278	-0.0002	-0.0006	-0.0012	-0.0024	CNY	4.7123	5.0790
NZD/JPY	76.88	-0.03	-0.09	-0.19	-0.46	DKK	4.4796	4.8281
NZD/EUR	0.6024	-0.0004	-0.0013	-0.0026	-0.0057	FJD	1.4849	1.6005
NZD/GBP	0.5248	-0.0001	-0.0003	-0.0006	-0.0014	HKD	5.6583	6.0986
						KRW	803.19	865.70
AU TWI	64.00					MYR	2.9342	3.1625
AUD/USD	0.7864	0.0001	0.0002	0.0005	0.0009	NOK	6.1747	6.6552
AUD/NZD	1.0778	0.0002	0.0007	0.0014	0.0028	SEK	6.0436	6.5139
AUD/JPY	82.86	-0.01	-0.05	-0.10	-0.28	SGD	0.9659	1.0411
AUD/EUR	0.6493	-0.0003	-0.0010	-0.0020	-0.0044	TWD	20.39	21.98
AUD/GBP	0.5611	0.0000	0.0000	0.0001	-0.0001	ZAR	10.7198	11.5540
USD Index	90.36							
EUR/USD	1.2112	0.0007	0.0023	0.0045	0.0097			
USD/JPY	105.38	-0.02	-0.09	-0.19	-0.48			
GBP/USD	1.4015	0.0001	0.0004	0.0007	0.0018			
EUR/GBP	0.8642	0.0004	0.0014	0.0028	0.0058			

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	0.29%	0.26%	0.06%	0.01%
FRA 180d in 6mths	0.34%	0.31%	0.09%	0.05%
1 year swap*	0.31%	0.28%	0.05%	0.04%
2 year swap*	0.37%	0.35%	0.13%	0.11%
3 year swap*	0.53%	0.50%	0.23%	0.23%
5 year swap*	0.90%	0.88%	0.66%	0.63%
10 year swap*	1.61%	1.59%	1.56%	1.52%
10 year Govt bond		1.49%		1.43%

EQUITIES	
	Index
NZX50	12,549
ASX200	6,794
Dow Jones	31,494
S&P 500	3,907
FTSE100	6,624
DAX 30	13,993
Nikkei	30,018

COMMODITIES	
	USD
Dubai Light	61.01
Brent Crude	62.91
Gold	1,783.76
Silver	27.26
CRB Index	200.44

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

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