

# Market Alert

Wednesday 3 February 2021

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.7151 | 0.0000  |
| NZD/AUD    | 0.9427 | -0.0010 |
| NZD/JPY    | 75.14  | -0.15   |
| NZD/EUR    | 0.5950 | -0.0024 |
| NZD/GBP    | 0.5248 | -0.0005 |
| NZD/CNH    | 4.6200 | 0.0553  |
| AUD/USD    | 0.7586 | 0.0008  |
| AUD/EUR    | 0.6312 | -0.0018 |
| EUR/USD    | 1.2019 | 0.0047  |
| USD/CNH    | 7.1227 | 0.0777  |
| GBP/USD    | 1.3648 | 0.0012  |
| EUR/GBP    | 0.8806 | 0.0027  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 0.25% | 0.10%     |
| 90 day bills | 0.28% | 0.01%     |
| 2 year swap  | 0.33% | 0.07%     |
| 10 year Govt | 1.22% | 1.15%     |

## Plenty of Central Bank action ...

with the RBA and a host of comments!

While the RBA left both its cash rate and the 3 year yield target at 0.10%, it caught a few participants out with the announcement it will purchase an additional AUD100 billion of bonds issued by the Australian Government, states and territories, when the current bond purchase program is completed in mid-April.

These additional purchases will be at the current rate of AUD5 billion a week thereby pushing the existing QE

programme out to the beginning of September.

SNB Chair, Thomas Jordan, announced that the *"Swiss economy may contract in Q4."* He then added the *"USA's designation of Switzerland as a currency manipulator won't influence Swiss monetary policy. Switzerland is anything but a currency manipulator. The central bank is not a fan of negative interest rates, but currently sees no alternative."*

Just to provide some context, the numbers show the SNB spent around CHF100 billion intervening in FX markets to slow the rising Swiss franc during the first 9 months of 2020.

Fed President, Eric Rosengren stated *"we're still in the depths of a recession,"* while Fed member, Raphael Bostic, added, quite rightly, *"GameStop, and retail trading volatility, does not seem like something monetary policy should address."*

A senior Chinese diplomat called for the relationship with the US to be *"put back on a predictable and constructive track. China is prepared to work with the US to move the relationship forward along the track of no conflict, no confrontation, mutual respect and win-win cooperation."*

In terms of data, the Fonterra GDT auction put in another solid result to be up 1.8% overall with butter up 6.2%, and WMP up 2.3%, the stellar performers. The Eurozone's Q4 GDP shrank 0.7%, slightly less than the -1.0% plunge forecast, while the US IBD/TIPP economic optimism

index rose 1.8 points to 51.9, its highest level since October.

## So, what does it all mean?

And that's a question we ask ourselves every day!

Equities continued on from the previous session with most European and US exchanges up 2.0% for their biggest gains in 3 months as the surge in heavily shorted shares lost momentum. Conversely, commodities were a mixed bag with crude and Brent up 2.2% and 2.0% respectively, while silver got smashed and is currently down 8.9%! Bonds were sold, with the US 10 year yield up 2 pips to 1.10%, while the Bund yield jumped 4 points to -0.51%, but FX markets were the most interesting with the AUD and EUR hit hard. The AUD initially found support on the Chinese-US comments, but the expansion of the bond buying programme and talk of how households and businesses will eventually have to adjust to tapering, saw the AUD/USD retrace 0.50% to 0.7585. Meanwhile, the EUR/USD rate is now at a 2 month low at 1.2020 and it is approaching the psychological 1.20 level. Against these moves, the NZD held up reasonably well to be at 0.7155 against the USD and 0.9430 against the AUD.

RIP, Sir Tom Moore ... the 100-year old ex-RAF Captain raised more than GBP33 million for the NHS in the midst of the COVID-19 pandemic!



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# Daily Rates

Wednesday 3 February 2021

| FX        | Spot   | FECs (mid) |         |         |         | Spot Mid           |                 |
|-----------|--------|------------|---------|---------|---------|--------------------|-----------------|
|           | Mid    | 1mth       | 3mths   | 6mths   | 12mths  | NZD/...            | AUD/...         |
| NZ TWI    | 74.73  |            |         |         |         | CAD                | 0.9161 0.9718   |
| NZD/USD   | 0.7151 | 0.0000     | 0.0000  | 0.0000  | -0.0001 | CHF                | 0.6427 0.6817   |
| NZD/AUD   | 0.9427 | -0.0002    | -0.0005 | -0.0010 | -0.0019 | CNY                | 4.6172 4.8981   |
| NZD/JPY   | 75.14  | -0.02      | -0.07   | -0.15   | -0.36   | DKK                | 4.4251 4.6943   |
| NZD/EUR   | 0.5950 | -0.0004    | -0.0011 | -0.0024 | -0.0050 | FJD                | 1.4639 1.5530   |
| NZD/GBP   | 0.5248 | -0.0001    | -0.0002 | -0.0005 | -0.0012 | HKD                | 5.5425 5.8797   |
|           |        |            |         |         |         | KRW                | 798.00 846.55   |
| AU TWI    | 62.80  |            |         |         |         | MYR                | 2.9097 3.0867   |
| AUD/USD   | 0.7586 | 0.0001     | 0.0004  | 0.0008  | 0.0015  | NOK                | 6.1669 6.5420   |
| AUD/NZD   | 1.0608 | 0.0002     | 0.0006  | 0.0011  | 0.0022  | SEK                | 6.0206 6.3868   |
| AUD/JPY   | 79.72  | -0.01      | -0.03   | -0.07   | -0.22   | SGD                | 0.9536 1.0116   |
| AUD/EUR   | 0.6312 | -0.0003    | -0.0009 | -0.0018 | -0.0041 | TWD                | 20.01 21.23     |
| AUD/GBP   | 0.5558 | 0.0000     | 0.0001  | 0.0001  | -0.0001 | ZAR                | 10.7155 11.3674 |
| USD Index | 91.19  |            |         |         |         |                    |                 |
| EUR/USD   | 1.2019 | 0.0007     | 0.0023  | 0.0047  | 0.0101  | <b>EQUITIES</b>    |                 |
| USD/JPY   | 105.09 | -0.02      | -0.10   | -0.20   | -0.50   |                    | <b>Index</b>    |
| GBP/USD   | 1.3648 | 0.0002     | 0.0006  | 0.0012  | 0.0030  | NZX50              | 13,045          |
| EUR/GBP   | 0.8806 | 0.0004     | 0.0013  | 0.0027  | 0.0055  | ASX200             | 6,763           |
|           |        |            |         |         |         | Dow Jones          | 30,757          |
|           |        |            |         |         |         | S&P 500            | 3,839           |
|           |        |            |         |         |         | FTSE100            | 6,517           |
|           |        |            |         |         |         | DAX 30             | 13,835          |
|           |        |            |         |         |         | Nikkei             | 28,362          |
|           |        |            |         |         |         |                    |                 |
|           |        |            |         |         |         | <b>COMMODITIES</b> |                 |
|           |        |            |         |         |         |                    | <b>USD</b>      |
|           |        |            |         |         |         | Dubai Light        | 56.09           |
|           |        |            |         |         |         | Brent Crude        | 57.58           |
|           |        |            |         |         |         | Gold               | 1,835.14        |
|           |        |            |         |         |         | Silver             | 26.64           |
|           |        |            |         |         |         | CRB Index          | 189.37          |

  

| 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%  | 0.03%     | -0.01% |
| FRA 90d in 3mths  | 0.28%       | 0.24%  | 0.05%     | 0.00%  |
| FRA 180d in 6mths | 0.27%       | 0.24%  | 0.05%     | 0.01%  |
| 1 year swap*      | 0.27%       | 0.25%  | 0.04%     | 0.01%  |
| 2 year swap*      | 0.34%       | 0.31%  | 0.07%     | 0.07%  |
| 3 year swap*      | 0.45%       | 0.42%  | 0.15%     | 0.14%  |
| 5 year swap*      | 0.72%       | 0.69%  | 0.47%     | 0.45%  |
| 10 year swap*     | 1.29%       | 1.26%  | 1.17%     | 1.15%  |
| 10 year Govt bond |             | 1.21%  |           | 1.15%  |

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

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