

# Market Alert

Tuesday 9 February 2021

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.7220 | -0.0001 |
| NZD/AUD    | 0.9378 | -0.0009 |
| NZD/JPY    | 75.96  | -0.16   |
| NZD/EUR    | 0.5992 | -0.0024 |
| NZD/GBP    | 0.5248 | -0.0004 |
| NZD/CNH    | 4.6504 | 0.0607  |
| AUD/USD    | 0.7699 | 0.0007  |
| AUD/EUR    | 0.6389 | -0.0019 |
| EUR/USD    | 1.2050 | 0.0047  |
| USD/CNH    | 7.1227 | 0.0850  |
| GBP/USD    | 1.3741 | 0.0010  |
| EUR/GBP    | 0.8770 | 0.0028  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 0.25% | 0.10%     |
| 90 day bills | 0.28% | 0.01%     |
| 2 year swap  | 0.38% | 0.07%     |
| 10 year Govt | 1.37% | 1.27%     |

## Yellen to centre stage

Following US Treasury Secretary, Janet Yellen's, meeting last week with the chiefs of the SEC and Federal Reserve to discuss market volatility in the wake of GME, Ms Yellen was on the newswires overnight stating the US can return to full employment in 2022 if it enacts a sufficiently robust relief package.

This spurt of optimism saw equity markets hit new highs and the 30-year Treasury yield breached 2% for the first time in almost a year, before it eased back to 1.94%. The 10-year yield also cemented recent

gains, to be at 1.16%. This followed on from the underwhelming US labour market report, which showed non-farm payrolls increased 49k last month as losses in manufacturing and construction weighed, although the overall unemployment rate eased to 6.3%. Most concerning was the wider measure of the underemployment rate, which printed at a concerning 11.1%.

ECB President, Christine Lagarde, was also speaking at the European Parliament and stated that the "surge in Covid cases is a significant downside risk to the Euro area." Following on, she stated that "January rebound inflation was expected (and) inflation is to gradually increase further." Then, in a warning for more fiscal stimulus she stated "Short-term domestic price pressures to remain subdued. Fiscal measures should be targeted, as ample monetary stimulus remains essential."

RBA Governor, Philip Lowe, was on the newswires late last week attempting to talk the AUD down stating, "the Bank has not ruled out even further QE bond purchases. The AUD has not appreciated as much as usual due to RBA policy" and "Australia is in a much better place than most other countries." He then reiterated he doesn't see concerns about the valuation of asset prices at the moment, he hasn't seen any FX manipulation from other central banks, the RBA is not targeting a specific exchange rate and that there is no sense of any currency manipulation

going on ... apart from the SNB (yep, I added that last bit in!) I suspect Mr Lowe knew this number was coming ... Australian retail sales for December contracted -4.1% on the month from November's +7.1%.

The PBoC, in their Q4 monetary policy report, re-iterated they will continue with interest rate reform as the "Central bank will make prudent monetary policy flexible, targeted, appropriate, with no sudden shift on monetary policy. Will look to balance economic recovery and prevent risks." Interestingly, they then announced they would look to enhance exchange rate flexibility.

Asian, European and US equity markets once again rallied on growing optimism of vaccine roll outs and stimulus packages. The NZD and AUD joined in the rally, with the NZD/USD at 0.7220, AUD/USD at 0.7700 and the NZD/AUD cross at 0.9375.

## The biggest gain

The biggest gain was reserved for bitcoin which jumped to USD44,000 after Tesla revealed it had purchased USD1.5 billion of the cryptocurrency and would soon accept it as a form of payment. Tesla majority owner, Elon Musk, has been a strong advocate of the cryptos on social media, and this sounds suspiciously like a case of 'talking one's book.'



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# Daily Rates

Tuesday 9 February 2021

| FX        | Spot   | FECs (mid) |         |         |         | Spot Mid           |         |              |
|-----------|--------|------------|---------|---------|---------|--------------------|---------|--------------|
|           | Mid    | 1mth       | 3mths   | 6mths   | 12mths  | NZD/...            | AUD/... |              |
| NZ TWI    | 75.18  |            |         |         |         | CAD                | 0.9203  | 0.9813       |
| NZD/USD   | 0.7220 | 0.0000     | 0.0000  | -0.0001 | -0.0003 | CHF                | 0.6489  | 0.6919       |
| NZD/AUD   | 0.9378 | -0.0001    | -0.0004 | -0.0009 | -0.0020 | CNY                | 4.6556  | 4.9644       |
| NZD/JPY   | 75.96  | -0.02      | -0.07   | -0.16   | -0.38   | DKK                | 4.4564  | 4.7520       |
| NZD/EUR   | 0.5992 | -0.0004    | -0.0012 | -0.0024 | -0.0052 | FJD                | 1.4725  | 1.5702       |
| NZD/GBP   | 0.5248 | -0.0001    | -0.0002 | -0.0004 | -0.0011 | HKD                | 5.5970  | 5.9682       |
|           |        |            |         |         |         | KRW                | 806.72  | 860.23       |
| AU TWI    | 63.30  |            |         |         |         | MYR                | 2.9255  | 3.1195       |
| AUD/USD   | 0.7699 | 0.0001     | 0.0003  | 0.0007  | 0.0013  | NOK                | 6.1434  | 6.5508       |
| AUD/NZD   | 1.0663 | 0.0002     | 0.0005  | 0.0011  | 0.0023  | SEK                | 6.0604  | 6.4624       |
| AUD/JPY   | 81.00  | -0.01      | -0.04   | -0.09   | -0.23   | SGD                | 0.9623  | 1.0261       |
| AUD/EUR   | 0.6389 | -0.0003    | -0.0009 | -0.0019 | -0.0042 | TWD                | 20.21   | 21.55        |
| AUD/GBP   | 0.5603 | 0.0000     | 0.0000  | 0.0001  | 0.0000  | ZAR                | 10.7529 | 11.4661      |
| USD Index | 90.97  |            |         |         |         |                    |         |              |
| EUR/USD   | 1.2050 | 0.0007     | 0.0023  | 0.0047  | 0.0100  | <b>EQUITIES</b>    |         |              |
| USD/JPY   | 105.22 | -0.02      | -0.10   | -0.20   | -0.48   |                    |         | <b>Index</b> |
| GBP/USD   | 1.3741 | 0.0001     | 0.0005  | 0.0010  | 0.0024  | NZX50              |         | 13,054       |
| EUR/GBP   | 0.8770 | 0.0004     | 0.0013  | 0.0028  | 0.0057  | ASX200             |         | 6,881        |
|           |        |            |         |         |         | Dow Jones          |         | 31,254       |
|           |        |            |         |         |         | S&P 500            |         | 3,902        |
|           |        |            |         |         |         | FTSE100            |         | 6,524        |
|           |        |            |         |         |         | DAX 30             |         | 14,060       |
|           |        |            |         |         |         | Nikkei             |         | 29,389       |
|           |        |            |         |         |         |                    |         |              |
|           |        |            |         |         |         | <b>COMMODITIES</b> |         |              |
|           |        |            |         |         |         |                    |         | <b>USD</b>   |
|           |        |            |         |         |         | Dubai Light        |         | 59.26        |
|           |        |            |         |         |         | Brent Crude        |         | 60.45        |
|           |        |            |         |         |         | Gold               |         | 1,831.66     |
|           |        |            |         |         |         | Silver             |         | 27.44        |
|           |        |            |         |         |         | CRB Index          |         | 194.90       |

  

| 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%       | 0.25%  | 0.05%     | 0.00%  |
| FRA 180d in 6mths | 0.33%       | 0.30%  | 0.06%     | 0.02%  |
| 1 year swap*      | 0.32%       | 0.25%  | 0.03%     | 0.02%  |
| 2 year swap*      | 0.41%       | 0.34%  | 0.07%     | 0.06%  |
| 3 year swap*      | 0.56%       | 0.49%  | 0.15%     | 0.14%  |
| 5 year swap*      | 0.88%       | 0.82%  | 0.49%     | 0.48%  |
| 10 year swap*     | 1.46%       | 1.39%  | 1.27%     | 1.25%  |
| 10 year Govt bond |             | 1.35%  |           | 1.27%  |

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

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