Market Alert

CURRENCIES	Spot	6mths
NZD/USD	0.5672	0.0019
NZD/AUD	0.9040	0.0023
NZD/JPY	88.185	-1.49
NZD/EUR	0.5437	-0.0032
NZD/GBP	0.4598	0.0018
NZD/CNH	4.1172	-0.0286
AUD/USD	0.6272	0.0005
AUD/EUR	0.6012	-0.0052
EUR/USD	1.0432	0.0097
USD/CNH	7.2602	-0.0735
GBP/USD	1.2335	-0.0009
EUR/GBP	0.8454	0.0084

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.08%	4.38%
2 year swap	3.54%	3.90%
10 year Govt	4.70%	4.52%

In terms of executive orders …

… the President signed so many he has cramp! By all accounts, he's revoked 78 of Biden's orders, and, amongst other things, implemented an immediate regulation freeze, a federal hiring freeze, and implemented orders to withdrawn from the Paris climate accord, the WHO, and to end automatic birthright citizenship, although that last one has already been met with a lawsuit.

This was broadly positive with little or no references to tariffs, which the markets liked. Yes, there had been talk of a 'trade memo' covering a number of issues including directing agencies to investigate persistent trade deficits, address unfair trade practices and currency manipulation, ensure trade deals, including the USMCA trade agreement, prioritises American workers, farmers, and businesses, and finally, assess China's adherence to US-China trade agreement. But then all the good work was undone when, in an impromptu press conference someone mentioned tariffs, to which the President replied, *"We're thinking in terms of 25% on Mexico and Canada. I think we'll do it 1-February on each."*

Today, CBS is reporting that President Trump will announce billions of dollars of private sector investment focused on building AI infrastructure. According to the report, OpenAI, Softbank and Oracle are planning a joint venture called 'Stargate.' Great name but it was a terrible movie!

By far, the most impressive part of all of yesterday's ceremonies was the First Ladies' hat. There was no chance of the President getting near her with that wide rim!

Looking at the overnight releases:

• The German ZEW economic sentiment index fell to 10.3 from 15.7 in January, which was below forecasts at 15.3.

• Canadian annual inflation eased from 1.9% to 1.8% in December. It was the lowest print since September and slightly below forecasts at 1.9%.

• Regular UK wage inflation, which excludes bonuses, increased from 5.2% to 5.6% in the 3-months to November

• Australian consumer confidence fell from last week's 87.1 to 85.8, while consumer inflation expectations firmed from 5.0% to 5.2%.

• New Zealand retail card spending, which covers around 68% of core retail sales, firmed 2.0% on the month, but were down 1.0% on the year. Services PMI numbers were also weaker, falling from 49.1 to 47.9 in December.

The overnight GDT auction printed in line with our expectations with the index up 1.4%, but more importantly, WMP surged 5.0% to maintain its stellar performance with North Asian buyers back in force. SMP prices firmed an impressive 2.0%, Butter prices continued their strong performance gaining a further 2.2%, although AMF prices fell 7.8%. Volumes were moderate, just above minimums.

ECB member, Joachim Nagel, confirmed what we already know, *"There is a certain probability that the ECB will cut rates next week. Service inflation is sticky but is coming down. The ECB is on path to reach its 2.0% inflation target in mid-2025. Going to neutral in H1 2025 is achievable … wherever neutral is!"*

Overall …

… financial markets were comfortable with Trump's first day in office, which is probably a good thing considering there are 4 central bank meetings within the next week or so.

As we mentioned yesterday, US Treasury yields opened lower with the 2-years at 4.29% while the 10-year yield is currently 7bps lower at 4.57%. Following yesterday's ebbs and flows, the USD-index is a touch lower testing support at the 107.80 level, which has seen the NZD and AUD hold onto their gains. The USD/CNY has fallen from near 7.3500 to 7.2600, although USD/JPY is holding above the 155.00 level.

Daily Rates

FX	Spot Mid	FECs (mid) 1mth	3mths	6mths	12mths		Spot Mid NZD/...	AUD/...
NZ TWI	67.80					CAD	0.8122	0.8987
NZD/USD	0.5672	0.0001	0.0007	0.0019	0.0045	CHF	0.5139	0.5687
NZD/AUD	0.9040	0.0001	0.0008	0.0023	0.0052	CNY	4.1124	4.5499
NZD/JPY	88.185	-0.32	-0.80	-1.49	-2.75	DKK	4.0547	4.4857
NZD/EUR	0.5437	-0.0006	-0.0017	-0.0032	-0.0065	FJD	1.2907	1.4277
NZD/GBP	0.4598	0.0002	0.0008	0.0018	0.0040	HKD	4.4147	4.8834
						KRW	812.67	898.95
AU TWI	59.90					MYR	2.5362	2.8055
AUD/USD	0.6272	0.0000	0.0002	0.0005	0.0009	NOK	6.4019	7.0817
AUD/NZD	1.1060	-0.0002	-0.0011	-0.0030	-0.0070	SEK	6.2262	6.8872
AUD/JPY	97.52	-0.37	-0.98	-1.89	-3.60	SGD	0.7664	0.8478
AUD/EUR	0.6012	-0.0008	-0.0024	-0.0052	-0.0108	TWD	18.51	20.47
AUD/GBP	0.5083	0.0001	0.0003	0.0007	0.0013	ZAR	10.48	11.59
USD Index	107.96					EQUITIES		
EUR/USD	1.0432	0.0014	0.0044	0.0097	0.0209			Index
USD/JPY	155.47	-0.59	-1.60	-3.14	-6.07	NZX50		13,053
GBP/USD	1.2335	-0.0003	-0.0006	-0.0009	-0.0011	ASX200		8,402
EUR/GBP	0.8454	0.0013	0.0039	0.0084	0.0174	Dow Jones		43,923
USD/CNY	7.2712	-0.0173	-0.0501	-0.1057	-0.2282	S&P 500		6,048
						FTSE100		8,548

INTEREST RATES	New Zealand Mid	Australia Mid		
			DAX 30	21,042
			Nikkei	39,028
30 day bank bills	4.36%	4.37%		
90 day bank bills	4.08%	4.38%	COMMODITIES	
1 year swap	3.63%	4.03%		USD
2 year swap	3.55%	3.91%	Brent Crude	79.13
3 year swap	3.60%	3.90%	Gold	2,744.89
5 year swap	3.77%	4.17%	Silver	30.80
10 year swap	4.15%	4.46%	Iron Ore	101.21
3 year Govt bond	3.84%	3.91%	CRB Index	374.82
5 year Govt bond	4.12%	4.07%		NZD
10 year Govt bond	4.70%	4.52%	NZ Carbon	63.50

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