

# Market Alert

Monday 18 January 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7139	0.0002
NZD/AUD	0.9262	-0.0007
NZD/JPY	74.11	-0.13
NZD/EUR	0.5911	-0.0022
NZD/GBP	0.5250	-0.0004
NZD/CNH	4.6292	0.0497
AUD/USD	0.7707	0.0009
AUD/EUR	0.6378	-0.0019
EUR/USD	1.2085	0.0049
USD/CNH	7.1227	0.0675
GBP/USD	1.3598	0.0014
EUR/GBP	0.8887	0.0027

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.28%	0.01%
2 year swap	0.28%	0.07%
10 year Govt	1.02%	1.08%

## It's good to be back

But what's really changed? Not a lot ...

US data continued to under perform as retail sales fell 0.7% in December, with November's number also revised down to 1.4%, while the University of Michigan's consumer sentiment number also fell to 79.2 in January 2021, from the previous month's 80.7. This follows on from Thursday's unemployment number, which saw initial claims increase to 965,000 recording it's highest number since mid-August.

In amongst this, Fed Chair, Jerome Powell, struck a dovish tone saying the

Fed is not raising interest rates anytime soon and rejected suggestions the Fed might start reducing its bond QE purchase programme in the near term as, "to achieve inflation of 2%, we need to see inflation average 2%." Essentially Powell sees no reason to alter its highly accommodative stance "until the job is well and truly done."

Meanwhile, on the fiscal front, President-elect, Joe Biden, unveiled the latest stimulus package that will total USD1.9 trillion. This will incorporate USD350 billion in COVID payments to states for front line workers to expand testing and for a national vaccine program. In addition, there was USD1 trillion in direct support for households that will include an increase in direct payments to USD2,000 for most Americans, a national minimum wage of USD15 per hour, and a supplemental unemployment benefit of USD400.

There was also circa USD440 billion for business and impacted communities. Biden will attempt to get his appropriately named, "American Rescue Plan" passed through Congress in the first weeks of his administration.

In Europe, Britain's GDP grew by 4.1% in the three months to November, while Germany's economy shrank 5.0% across 2020. Meanwhile, the ECB minutes showed that committee members agreed that the expansion and extension

of PEPP purchases and the recalibration of the TLTRO III conditions were the most suitable tools to manage the pandemic, however, a number of officials called for a more moderate increase in PEPP purchases on the argument that in an environment of high uncertainty, it was worth "keeping some powder dry".

So, what did it all mean for markets? Interestingly the USD has surged to a 4-week high amid a general increase in risk-aversion, still, most strategists "expect broad dollar weakness" this year as exposures to risk assets and the upside risk in commodity prices can outweigh the potential drag from higher US interest rates. This saw the NZD/USD and AUD/USD weaken to 0.7135 and 0.7705 respectively, while the US 10-year treasury is yielding 1.09%.

## And in other news ...

Goldman Sachs has been getting bullish saying the move higher in US interest rates is not done yet, targeting US 10 year treasuries at 1.50% on "revived reflationary themes" following the Democrat clean-sweep of the White House, House and Senate. Goldmans also like iron ore for the next 6 months at least as "supply disruption risks remain elevated in the near term on seasonal weather trends in both Western Australia and Brazil, while, on the demand side, China's mill restocking is also a current tightening influence onshore."



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# Daily Rates

Monday 18 January 2021

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	74.40					CAD	0.9076 0.9799
NZD/USD	0.7139	0.0001	0.0002	0.0002	0.0003	CHF	0.6364 0.6871
NZD/AUD	0.9262	-0.0001	-0.0003	-0.0007	-0.0016	CNY	4.6197 4.9878
NZD/JPY	74.11	-0.02	-0.05	-0.13	-0.34	DKK	4.4009 4.7515
NZD/EUR	0.5911	-0.0004	-0.0010	-0.0022	-0.0048	FJD	1.4475 1.5629
NZD/GBP	0.5250	0.0000	-0.0001	-0.0004	-0.0012	HKD	5.5418 5.9833
						KRW	786.24 848.88
AU TWI	63.80					MYR	2.8982 3.1291
AUD/USD	0.7707	0.0001	0.0005	0.0009	0.0016	NOK	6.1101 6.5970
AUD/NZD	1.0797	0.0001	0.0004	0.0008	0.0019	SEK	5.9803 6.4568
AUD/JPY	79.98	-0.01	-0.03	-0.08	-0.23	SGD	0.9492 1.0248
AUD/EUR	0.6378	-0.0003	-0.0009	-0.0019	-0.0041	TWD	19.98 21.57
AUD/GBP	0.5668	0.0000	0.0000	0.0000	-0.0003	ZAR	10.8657 11.7315
USD Index	90.77						
EUR/USD	1.2085	0.0009	0.0025	0.0049	0.0104	<b>EQUITIES</b>	
USD/JPY	103.77	-0.03	-0.10	-0.22	-0.51		<b>Index</b>
GBP/USD	1.3598	0.0002	0.0007	0.0014	0.0035	NZX50	13,025
EUR/GBP	0.8887	0.0005	0.0013	0.0027	0.0053	ASX200	6,715
						Dow Jones	30,814
						S&P 500	3,768
						FTSE100	6,736
						DAX 30	13,788
						Nikkei	28,519
						<b>COMMODITIES</b>	
							<b>USD</b>
						Dubai Light	54.58
						Brent Crude	55.10
						Gold	1,827.01
						Silver	24.74
						CRB Index	186.22

  

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	0.27%	0.24%	0.04%	-0.01%
FRA 180d in 6mths	0.26%	0.23%	0.06%	0.02%
1 year swap*	0.28%	0.24%	0.04%	0.00%
2 year swap*	0.29%	0.27%	0.08%	0.06%
3 year swap*	0.36%	0.33%	0.15%	0.14%
5 year swap*	0.59%	0.56%	0.42%	0.41%
10 year swap*	1.11%	1.08%	1.07%	1.05%
10 year Govt bond		1.00%		1.08%

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

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