

# Market Alert

Tuesday 19 January 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7109	0.0002
NZD/AUD	0.9259	-0.0007
NZD/JPY	73.71	-0.13
NZD/EUR	0.5888	-0.0022
NZD/GBP	0.5234	-0.0004
NZD/CNH	4.6182	0.0515
AUD/USD	0.7678	0.0008
AUD/EUR	0.6358	-0.0019
EUR/USD	1.2075	0.0049
USD/CNH	7.1227	0.0704
GBP/USD	1.3582	0.0014
EUR/GBP	0.8890	0.0027

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.29%	0.02%
2 year swap	0.28%	0.07%
10 year Govt	1.01%	1.07%

## Chinese growth remains positive ... just

Just to prove that China remained busy over the Christmas period, we had a host of data released which showed that, on an annualised basis, industrial production increased 7.3% (expected 6.9%), retail sales increased 4.6% (5.35% expected), the December unemployment rate was 5.2%, and 11.9 million urban jobs were created during the year, which is impressive as they were only targeting 10 million jobs! Anyway, these inputs combined to generate Q4 GDP at 6.5%, which produced an annual growth rate of

2.3%, meaning China was the only major economy to avoid a full-year contraction in 2020.

While the data suggests the economy has almost normalised after the slump in early 2020, the country is still fighting COVID-19 disruptions, with fresh outbreaks in a couple of provinces in northern China. The stronger yuan is also making exports more expensive for many overseas buyers.

## New broom sweeps clean

The Presidential-elect team are starting to fill out the majority of their administrative positions, and the new team of financial regulators could mean trouble for Wall Street. While the names won't mean a lot, Biden's pick for the SEC, Gary Gensler, and the Consumer Agency, Rohit Chopra, are known as Wall Street adversaries and will most likely target Chinese companies, crypto currencies, Robinhood, credit card companies, special purpose acquisition vehicles, and push corporate America on diversity and climate change impacts.

The new US administration is also planning to revert to tradition and only allow the Treasury Secretary to comment on the US dollar. That definitely takes all the fun out of Presidential Tweets! Overnight, Janet Yellen will be speaking at a Senate Finance Hearing where lawmakers will vet the USD1.9 trillion

relief plan, and it is proposed that Ms Yellen will make it clear that this US administration will not seek a weaker dollar.

Which is probably appropriate after media reports out of the EU suggest the EC is drafting a policy paper setting out plans to lessen its reliance on the USD. The proposal will include tighter controls on foreign takeovers and will attempt to boost the use of EURs in financial markets to reduce their vulnerability to US sanctions and to mitigate financial risks.

With the US markets closed overnight for Martin Luther King Day, Asian and European markets were subdued. Yes, the Chinese GDP number was a positive, and Europe is concerned with the impacts of a double dip recession, but the markets took this in its stride. Equities were flat, the NZD/USD is at 0.7110, AUD/USD last traded at 0.7680, and the NZD/AUD remains under pressure at 0.9260.

Ahead of this week's Bank of Japan meeting, a Japanese paper has suggested the BoJ may allow JGBs to trade in a wider range than the current 0% target for 10 years. The article doesn't state when this adjustment to policy would take place but suggests it will be in H2 2021. The target has been in place since 2016, highlighting the long term struggle Japanese policymakers have had in reaching their 2% inflation objective.



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