

Market Alert

Wednesday 20 January 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7109	0.0002
NZD/AUD	0.9243	-0.0007
NZD/JPY	73.87	-0.13
NZD/EUR	0.5865	-0.0022
NZD/GBP	0.5218	-0.0004
NZD/CNH	4.6059	0.0498
AUD/USD	0.7691	0.0008
AUD/EUR	0.6345	-0.0019
EUR/USD	1.2121	0.0049
USD/CNH	7.1227	0.0679
GBP/USD	1.3625	0.0014
EUR/GBP	0.8896	0.0027

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.29%	0.02%
2 year swap	0.27%	0.07%
10 year Govt	1.01%	1.10%

It's always good to have an opinion

And forecaster Capital Economics definitely has one with its call that the RBA will start tapering QE in April, and the RBNZ will be the first central bank to raise rates next year, as positive economic performance will make extreme policy measures redundant. While there are occasionally exaggerated calls by economists, it does highlight the positive Australasian story.

Just to prove this point, we've had some positive NZ data out over the past 24 hours. Retail card spending jumped 3.5% in December on an annualised basis, up from the previous month's 1.4%

jump, while the latest GDT auction put in another strong performance with its 5th increase in a row. Whole milk powder was up 2.2% to USD3,380, butter jumped 4.6%, skim increased 7.0% and milk fat skyrocketed 17.2%!

Meanwhile, the NZIER quarterly survey highlighted business confidence continues to improve, and despite weak profitability, increased certainty about the outlook, is encouraging businesses to hire and invest. All up, it suggests we will see a recovery in employment and business investment over 2021 with a rebound in annual GDP. But what would this mean for NZ bonds? With a bond curve that is one of the steepest in developed Asia, a steady credit rating, and flat yield differentials to Treasuries, one could make a strong case for continued international demand!

The story is also similar in Australia with iron ore hitting a 9 year high amid continued industrial demand from China. Data showed that China imported 1.17 billion tonnes of iron ore in 2020, up 9.5% on 2019 and beating its previous record of 1.075 billion tonnes in 2017, despite a decline in December 2020 shipments.

It was the night before the inauguration

And the markets were quiet ...

Equity markets were broadly flat, with the Nikkei and the Nasdaq being the outperformers up 1.39% and 1.20%

respectively, and oil also continued its latest 'bounce' with crude up 1.65% and Brent up 2.15%. The NZD/USD and AUD/USD remain unchanged at 0.7110 and 0.7690, while the US 10 year yield is at 1.09%.

So, what really happened overnight? Well. Not a lot really as all eyes remain on Washington. Janet Yellen spoke at a Senate hearing suggesting that help for the unemployed and small businesses would provide the "biggest bang for the buck," and urged lawmakers to "act big" in efforts to rescue an economy battered by COVID-19. She then added, "there is an advantage to funding the debt especially when interest rates are very low by issuing long-term debt." Finally, while not specifically endorsing the "strong dollar" policy established in the 1990s, she said the US, "does not seek a weaker currency to gain competitive advantage."

Conspicuous by its absence of a strong dollar policy, Ms Yellen has essentially emphasised that she will allow the market to self-determine the USD exchange rate.

In Europe, the euro firmed after Germany's ZEW Economic sentiment rose by 6.8 points from the previous month to 61.8, beating market expectations of 60.0 highlighting investors are growing more confident in the economic recovery.

Finally, the BoE's Chief Economist, Andy Haldane, stated that a "bounce back from COVID-19 may be sharper than [the] financial crisis."



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Daily Rates

Wednesday 20 January 2021

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	74.01					CAD	0.9055 0.9797
NZD/USD	0.7109	0.0000	0.0001	0.0002	0.0003	CHF	0.6323 0.6840
NZD/AUD	0.9243	-0.0001	-0.0003	-0.0007	-0.0015	CNY	4.6058 4.9830
NZD/JPY	73.87	-0.02	-0.06	-0.13	-0.33	DKK	4.3629 4.7202
NZD/EUR	0.5865	-0.0004	-0.0011	-0.0022	-0.0047	FJD	1.4513 1.5702
NZD/GBP	0.5218	-0.0001	-0.0002	-0.0004	-0.0011	HKD	5.5110 5.9623
						KRW	783.75 847.93
AU TWI	63.40					MYR	2.8843 3.1205
AUD/USD	0.7691	0.0001	0.0004	0.0008	0.0016	NOK	6.0739 6.5713
AUD/NZD	1.0819	0.0001	0.0004	0.0008	0.0018	SEK	5.9414 6.4279
AUD/JPY	79.92	-0.01	-0.03	-0.08	-0.23	SGD	0.9452 1.0226
AUD/EUR	0.6345	-0.0003	-0.0009	-0.0019	-0.0041	TWD	19.92 21.55
AUD/GBP	0.5645	0.0000	0.0000	0.0000	-0.0003	ZAR	10.6498 11.5220
USD Index	90.53						
EUR/USD	1.2121	0.0009	0.0025	0.0049	0.0103	EQUITIES	
USD/JPY	103.92	-0.03	-0.10	-0.22	-0.51		Index
GBP/USD	1.3625	0.0002	0.0007	0.0014	0.0034	NZX50	12,881
EUR/GBP	0.8896	0.0005	0.0013	0.0027	0.0053	ASX200	6,743
						Dow Jones	30,957
						S&P 500	3,804
						FTSE100	6,713
						DAX 30	13,815
						Nikkei	28,633
						COMMODITIES	
							USD
						Dubai Light	54.14
						Brent Crude	55.86
						Gold	1,840.55
						Silver	25.18
						CRB Index	185.80

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	0.31%	0.27%	0.04%	0.00%
FRA 90d in 3mths	0.27%	0.24%	0.04%	-0.01%
FRA 180d in 6mths	0.25%	0.22%	0.06%	0.02%
1 year swap*	0.27%	0.24%	0.03%	0.02%
2 year swap*	0.29%	0.26%	0.08%	0.07%
3 year swap*	0.36%	0.33%	0.15%	0.15%
5 year swap*	0.58%	0.55%	0.43%	0.41%
10 year swap*	1.09%	1.06%	1.08%	1.06%
10 year Govt bond		0.99%		1.10%

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

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