

Market Alert

Thursday 21 January 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7162	0.0002
NZD/AUD	0.9253	-0.0006
NZD/JPY	74.19	-0.14
NZD/EUR	0.5915	-0.0022
NZD/GBP	0.5249	-0.0004
NZD/CNH	4.6291	0.0500
AUD/USD	0.7740	0.0008
AUD/EUR	0.6393	-0.0020
EUR/USD	1.2107	0.0049
USD/CNH	7.1227	0.0677
GBP/USD	1.3644	0.0014
EUR/GBP	0.8874	0.0027

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.29%	0.01%
2 year swap	0.28%	0.07%
10 year Govt	1.03%	1.09%

Some guy called 'Joe' just got promoted

Congratulations, Mr. Biden.

However, while all this talk of unity sounds good ... there are a couple of flashing lights. The Republicans have already started pushing back on the proposed USD1.9 trillion stimulus package, there are House and Senate elections in 2022 where, on average, incumbent Presidents typically lose 5.0% in their first mid-terms, which would see both House's swing to the Republicans, and, House Leader, Nancy Pelosi, announced she will be sending the articles of impeachment

against Trump to the Senate soon. Simply ... don't expect any change!

The BoC left its target overnight rate at 0.25% and maintained its forward guidance. This was in-line with expectations with a continuation of the CAD4 billion per week QE programme. This is perhaps a little unsurprising after the annual inflation slowed to 0.7% in December from 1.0% in November.

It was a different story in the UK as inflation edged up to 0.6% in December from 0.3% in November, slightly above market forecasts of 0.5%.

In a bearish move, Bloomberg reports that the ECB is pursuing a strategy of yield spread control as *"the ECB is buying bonds to limit the differences between yields for the strongest and weakest economies in the eurozone, according to officials familiar with the matter, with one person saying the central bank has specific ideas on what spreads are appropriate."*

China has been increasingly supportive of infrastructure development in the wake of the COVID-19 crisis, and its not stopping any time soon after President Xi announced he wants to expand their high-speed rail development even further. This will be AUD/USD supportive! Meanwhile, the Chinese government is continuing to write cheques at an alarming rate as Foreign Direct Investment ("FDI") into the mainland jumped 6.2% on the year, a record high CNY999.98 billion, or, USD144.37 billion. Authorities are also

stepping up efforts to convince citizens to 'stay put' over the Chinese New Year.

Australia monthly consumer confidence sentiment fell -4.5% (prior +4.1%) to hit 107.0 on a jump in COVID-19 cases and lockdowns. Disturbingly, there was also the comment *"there may also be an element of statistical correction given that the index had surged by 40.0% between August and December."*

In amongst the overnight news, financial markets continued to focus on the positive which broadly saw Asian and European markets up 0.5-1.0%, while US markets are up 1.0-2.0%. Commodities are also higher, yields are flat with the US 10-year at 1.1%, while the USD index is off 0.2%. This saw NZD/USD rally to 0.7165 and the AUD/USD jump to 0.7740.

Can you lock-down in a self-driving car?

As US COVID-19 related deaths top 400 thousand, Germany extended lockdown for another two weeks through to 14th February with Chancellor Merkel also considering border closures.

While Tesla was the darling of the financial markets for much of 2020, the 'big guns' have joined the party. Microsoft and GM have partnered to launch a USD2 billion funding round for a self-driving venture called Cruise, which will invariably include Microsoft's automation driving partner, Google.



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Daily Rates

Thursday 21 January 2021

FX	Spot Mid	FECs (mid)				Spot Mid		
		1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.38					CAD	0.9056	0.9787
NZD/USD	0.7162	0.0001	0.0001	0.0002	0.0003	CHF	0.6373	0.6887
NZD/AUD	0.9253	-0.0001	-0.0003	-0.0006	-0.0014	CNY	4.6310	5.0048
NZD/JPY	74.19	-0.02	-0.06	-0.14	-0.34	DKK	4.3995	4.7547
NZD/EUR	0.5915	-0.0004	-0.0011	-0.0022	-0.0048	FJD	1.4616	1.5796
NZD/GBP	0.5249	0.0000	-0.0002	-0.0004	-0.0011	HKD	5.5514	5.9996
						KRW	786.99	850.52
AU TWI	63.50					MYR	2.8873	3.1204
AUD/USD	0.7740	0.0001	0.0004	0.0008	0.0015	NOK	6.0895	6.5811
AUD/NZD	1.0807	0.0001	0.0004	0.0007	0.0016	SEK	5.9788	6.4615
AUD/JPY	80.18	-0.01	-0.04	-0.09	-0.25	SGD	0.9492	1.0258
AUD/EUR	0.6393	-0.0003	-0.0010	-0.0020	-0.0043	TWD	20.06	21.67
AUD/GBP	0.5673	0.0000	0.0000	0.0000	-0.0003	ZAR	10.6816	11.5439
USD Index	90.48							
EUR/USD	1.2107	0.0008	0.0025	0.0049	0.0104	EQUITIES		
USD/JPY	103.60	-0.03	-0.10	-0.22	-0.52			Index
GBP/USD	1.3644	0.0002	0.0007	0.0014	0.0034	NZX50		13,026
EUR/GBP	0.8874	0.0005	0.0013	0.0027	0.0054	ASX200		6,770
						Dow Jones		31,159
						S&P 500		3,849
						FTSE100		6,740
						DAX 30		13,921
						Nikkei		28,523
						COMMODITIES		
								USD
						Dubai Light		55.41
						Brent Crude		56.19
						Gold		1,868.07
						Silver		25.76
						CRB Index		186.08

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%	0.03%	-0.01%
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%	0.25%	0.03%	0.02%
2 year swap*	0.29%	0.27%	0.08%	0.07%
3 year swap*	0.36%	0.34%	0.16%	0.15%
5 year swap*	0.58%	0.56%	0.43%	0.42%
10 year swap*	1.10%	1.08%	1.08%	1.06%
10 year Govt bond		1.01%		1.09%

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

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