Market Alert

CURRENCIES	Spot	6mths
NZD/USD	0.5738	0.0024
NZD/AUD	0.9022	0.0023
NZD/JPY	86.860	-1.39
NZD/EUR	0.5474	-0.0032
NZD/GBP	0.4544	0.0018
NZD/CNH	4.1679	-0.0257
AUD/USD	0.6358	0.0009
AUD/EUR	0.6066	-0.0053
EUR/USD	1.0481	0.0104
USD/CNH	7.2643	-0.0744
GBP/USD	1.2626	0.0000
EUR/GBP	0.8297	0.0080

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	3.81%	4.22%
2 year swap	3.49%	3.83%
10 year Govt	4.67%	4.56%

While everyone will be talking about the RBA meeting this afternoon …

… I'm more concerned about shirts! Don't you hate it when you go into the wardrobe and there is only one ironed shirt left. It's that shirt you don't like, it's old, and just that bit too tight, but you can't be bothered ironing another one. I guess I'm going to have to hold my breath all day!

Japanese GDP shocks …

… expanding at 0.7% on the quarter while, on an annual basis, growth surged 2.8% against the 1.0% expected. This supports the case for an earlier-than-expected rate hike, which saw USD/JPY fall below the 151.50 level. But, clouding the issue, industrial production fell 0.2% on the month and 1.6% on the year.

Japan's Chief Cabinet Secretary, Yoshimasa Hayashi, was also on the newswires stating, "*Japan faces significant challenges if its companies' become targets amid Trump's policies; the government will respond carefully to potential impacts.*"

PBoC Governor, Pan Gongsheng, confirmed, "*The PBoC will continue to let the market play a decisive role in deciding the yuan exchange rate. A stable yuan is crucial for global financial and economic stability. While many currencies have depreciated against a stronger USD, the yuan has remained stable despite market volatility. China's focus is on boosting domestic consumption through policies such as raising household incomes and offering subsidies.*"

Fed member, Michelle Bowman, announced, "*I expect inflation to decline but upside risks remain. Need greater confidence in falling inflation before cutting rates again. Patience on rate cuts will allow more clarity on impact of administration policies. High asset prices may have slowed progress on inflation. Wage growth above level consistent with Fed's inflation target. We are also monitoring supply chains for signs of pent up demand against the inflation risk.*"

The ECBs Robert Holzmann confirmed, "*There is some probability of a March rate cut (although) decisions in favour of further cuts are getting harder.*"

New Zealand January services PMI jumped into expansion territory firming from 47.9 to 50.4, highlighting that while "*this consistent with stabilisation rather than elevation, the latest move upwards is encouraging.*" And in the most obvious statement of the day category, the NZIER shadow board recommends a 50bps OCR cut by the RBNZ.

The UK's Telegraph newspaper has reported President Trump will demand USD500bn as a 'payback' from Ukraine, covering minerals, oil, gas, ports, and infrastructure, effectively granting the US near-total economic control over Ukraine's resources.

But while the President Trump is working on his own peace plan for Ukraine, Eurozone members are struggling to form a cohesive strategy. This has seen European yields surged on the expectation that member states are working on a major spending package to boost defense spending with the German 10-year bond yield firming 6bps to 2.49%. Against this, US yields were quiet with the US holiday with the 2-years at 4.27% and the 10-years at 4.48%. The technical correction from the USD-index has reached its conclusion with the 106.35 level providing support, which has seen the NZD and AUD consolidate. Equity and commodity markets posted modest gains.

Great minds think alike?

Coming into line with our thoughts, BoA's latest FX survey is anticipating the USD to peak in Q1 amid increased concerns around a US economic slowdown. With more investors starting to lack conviction for the rest of the year, interest rate differentials are expected to narrow in favour of other currencies with the long USD position the most crowded trade.

Daily Rates

FX	Spot Mid	FECs (mid) 1mth	3mths	6mths	12mths		Spot Mid NZD/...	AUD/...
NZ TWI	68.20					CAD	0.8137	0.9017
NZD/USD	0.5738	0.0003	0.0010	0.0024	0.0047	CHF	0.5167	0.5729
NZD/AUD	0.9022	0.0002	0.0010	0.0023	0.0044	CNY	4.1673	4.6247
NZD/JPY	86.860	-0.24	-0.74	-1.39	-2.57	DKK	4.0824	4.5244
NZD/EUR	0.5474	-0.0005	-0.0016	-0.0032	-0.0068	FJD	1.2968	1.4372
NZD/GBP	0.4544	0.0002	0.0009	0.0018	0.0033	HKD	4.4637	4.9468
						KRW	826.64	916.12
AU TWI	60.60					MYR	2.5426	2.8179
AUD/USD	0.6358	0.0001	0.0004	0.0009	0.0020	NOK	6.3697	7.0592
AUD/NZD	1.1081	-0.0003	-0.0014	-0.0032	-0.0065	SEK	6.1349	6.7989
AUD/JPY	96.24	-0.29	-0.94	-1.77	-3.36	SGD	0.7693	0.8525
AUD/EUR	0.6066	-0.0007	-0.0025	-0.0053	-0.0108	TWD	18.78	20.81
AUD/GBP	0.5033	0.0001	0.0003	0.0006	0.0010	ZAR	10.56	11.70

	Spot Mid	1mth	3mths	6mths	12mths	EQUITIES	Index
USD Index	106.73						
EUR/USD	1.0481	0.0014	0.0048	0.0104	0.0219	NZX50	13,069
USD/JPY	151.38	-0.48	-1.55	-2.99	-5.71	ASX200	8,537
GBP/USD	1.2626	-0.0001	-0.0002	0.0000	0.0009	Dow Jones	44,546
EUR/GBP	0.8297	0.0012	0.0039	0.0080	0.0165	S&P 500	6,115
USD/CNY	7.2629	-0.0145	-0.0479	-0.1024	-0.2224	FTSE100	8,768
						DAX 30	22,798
						Nikkei	39,174

INTEREST RATES	New Zealand Mid	Australia Mid	COMMODITIES	USD
30 day bank bills	3.93%	4.22%		
90 day bank bills	3.81%	4.22%	Brent Crude	75.28
1 year swap	3.51%	3.93%	Gold	2,897.54
2 year swap	3.54%	3.84%	Silver	32.40
3 year swap	3.62%	3.85%	Iron Ore	106.83
5 year swap	3.79%	4.15%	CRB Index	377.26
10 year swap	4.18%	4.47%		
3 year Govt bond	3.84%	3.91%		NZD
5 year Govt bond	4.13%	4.08%	NZ Carbon	63.00
10 year Govt bond	4.67%	4.56%		

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