

CURRENCIES	Spot	6mths
NZD/USD	0.6381	-0.0001
NZD/AUD	0.9179	-0.0065
NZD/JPY	82.06	-2.07
NZD/EUR	0.5902	-0.0065
NZD/GBP	0.5235	-0.0021
NZD/CNH	4.3050	-0.0472
AUD/USD	0.6949	0.0049
AUD/EUR	0.6426	-0.0026
EUR/USD	1.0810	0.0118
USD/CNH	6.7467	-0.0732
GBP/USD	1.2187	0.0048
EUR/GBP	0.8869	0.0061
INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.85%	3.40%
2 year swap	5.01%	3.69%
10 year Govt	4.12%	3.69%

Its official, the markets are on holiday!

Well, it was Martin Luther King Day in the US, which meant that every trader and salesperson in Europe spent the afternoon at lunch, and with the global elite travelling to Davos for the World Economic Forum, there was little activity of note overnight!

What little focus there was, tended to concentrate on the USD/JPY ahead of tomorrow's BoJ meeting. Following on from the December's announcement, where the BoJ loosened their Yield Curve Control ("YCC") on the 10-year JGB from 0.25% to 0.50%, speculation has increased the BoJ will abolish their yield

targeting and normalize policy to a more restrictive setting potentially even lifting their cash rate to 1.00%. This change is largely being driven by political pressures rather than BoJ policy, but the central bank will invariably accommodate this change in sentiment in due course given the Prime Minister is due to appoint a new central bank governor by April. At this stage, it is difficult to ascertain the full implications of tighter policy in Japan, especially when one considers Japan has essentially adopted easy monetary settings for the best part of 30-years, but it will dent the traditional 'carry trade' as we've already seen with USD falling below the 129.00 level. A large part of the change in sentiment is due to the underlying inflationary pressures within the Japanese financial system, as highlighted by yesterday's PPI report which saw input prices rise 0.5% on the month, when a modest 0.3% increase had been expected. On an annual basis, this saw inputs rise a staggering 10.2% on the year, against an expected 9.5% gain.

In other news, the Melbourne Institute monthly inflation gauge showed Australian inflation increased 0.2% on the month, which was lower than November's 1.0% gain, to reach 5.9% on the year. This saw the trim mean measure fall from 4.9% to 4.2%.

With the global outlook improving noticeably, one of the major influences has been the extremely mild winter in the northern hemisphere which has seen European natural gas futures fall more

than 15% to their lowest levels since September 2021. Gas storage in Europe is now hovering around 82% capacity, comfortably above the 5-year seasonal average of 70%, predominantly driven by weaker heating demand.

This weakening in European inflation pressures has also seen a scaling back of ECB hiking projections with a recent survey of economists' forecasts showing the deposit rate will be raised to a peak of 3.25%, from its current 2.00%, with 50bps hikes in February and March, followed by a 25bps increase in May or June, with the economists then forecasting the rate sliding back to 3.00% in Q3.

The PBoC maintained its 1-year MLF rate at 2.75%.

Zzzzzzzzz

Overnight European equity markets closed higher, with the STOXX 600 extending its 2023 rally to a fresh nine-month high. The general upward movement in equities across the board comes as sentiment appears to have been boosted by hopes that the worst of global inflationary pressures are coming to an end and optimism about China's reopening. The NZD is largely unchanged, currently at 0.6384, while the AUD/USD has failed in its first attempt to break above the 0.7000 having eased back to 0.6950, which has seen the NZD/AUD recover to 0.9185.











	Spot	FECs (mid)					Spot Mid	
FX	Mid	1mth	3mths	6mths	12mths		NZD/	AUD/
NZTWI	71.40					CAD	0.8552	0.9316
NZD/USD	0.6381	0.0003	0.0004	-0.0001	-0.0008	CHF	0.5913	0.6442
NZD/AUD	0.9179	-0.0008	-0.0027	-0.0065	-0.0145	CNY	4.2998	4.6880
NZD/JPY	82.06	-0.33	-0.96	-2.07	-4.30	DKK	4.3899	4.7806
NZD/EUR	0.5902	-0.0011	-0.0031	-0.0065	-0.0131	FJD	1.3708	1.4928
NZD/GBP	0.5235	-0.0002	-0.0008	-0.0021	-0.0049	HKD	4.9837	5.4273
						KRW	792.07	862.58
AU TWI	61.70					MYR	2.7521	2.9971
AUD/USD	0.6813	0.0009	0.0025	0.0049	0.0078	NOK	6.3248	6.8878
AUD/NZD	0.6535	0.0008	0.0031	0.0074	0.0127	SEK	6.6551	7.2475
AUD/JPY	89.38	-0.28	-0.79	-1.64	-3.63	SGD	0.8431	0.9181
AUD/EUR	0.6426	-0.0007	-0.0016	-0.0026	-0.0064	TWD	19.37	21.10
AUD/GBP	0.5702	0.0003	0.0008	0.0017	0.0017	ZAR	10.88	11.85
USD Index	102.44					EQUITIES		
EUR/USD	1.0810	0.0025	0.0063	0.0118	0.0211			Index
USD/JPY	128.61	-0.58	-1.58	-3.23	-6.44	NZX50		11,811
GBP/USD	1.2187	0.0010	0.0026	0.0048	0.0080	ASX200		7,388
EUR/GBP	0.8869	0.0013	0.0033	0.0061	0.0114	Dow Jo	nes	34,303
						S&P 50	0	3,999
INTEREST		New Zealand			Australia	FTSE100		7,860
RATES	TES M		Mid		Mid DAX 30)	15,134
						Nikkei		25,822
30 day bank bil	ls		4.35%		3.13%			
90 day bank bil	ay bank bills		4.85% 3.40%		COMMODITIES			
1 year swap			5.35%		3.65%			USD
2 year swap		5.01%			3.69%		Brent Crude	
3 year swap		4.66%			3.64%		Gold	
5 year swap		4.33%		3.64%		Silver		24.22
10 year swap		4.24%	4.24% 3.96%		Iron Ore		122.33	
3 year Govt bond		4.44%			3.24% CRB Index		dex	299.86
5 year Govt bond		4.16%			3.36%			NZD
10 year Govt bo	r Govt bond		4.12%		3.69%	NZ Car	bon	73.50

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.







