

Market Alert

Monday 2 February 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6010	0.0037
NZD/AUD	0.8650	0.0066
NZD/JPY	93.000	-0.79
NZD/EUR	0.5072	-0.0011
NZD/GBP	0.4391	0.0028
NZD/CNH	4.1893	-0.0160
AUD/USD	0.6947	-0.0011
AUD/EUR	0.5862	-0.0058
EUR/USD	1.1848	0.0098
USD/CNH	6.9561	-0.0690
GBP/USD	1.3682	-0.0004
EUR/GBP	0.8660	0.0073
INT RATES	NZ	Australia
OCR/Cash	2.25%	3.60%
90 day bills	2.51%	3.89%
2 year swap	3.15%	4.15%
10 year Govt	4.64%	4.92%

Well ... that was a hell of a surprise on Saturday morning!

No ... I don't mean where I woke up ... I meant the markets and Friday night's price action.

The initial catalyst was the confirmation that Donald Trump would nominate Kevin Warsh for the position of Fed Chair. The nomination still needs to be confirmed by the Senate, although it shouldn't be an issue given that Trump tweeted, "I have known Kevin for a long period of time and have no doubt that he will go down as one of the GREAT Fed Chairmen, maybe the best!"

But in financial markets, perception is reality ... and the perception of Mr. Warsh is that he is a more hawkish pick who would support lower interest rates,

though less aggressively than some of the other potential candidates. This saw Treasuries and equities fall, although the real action was in the commodities space where gold prices plummeted 9.1% to USD4,887, after touching USD5,500 in the prior session, while silver prices plummeted 27% to USD84.63, silver's worst day since March 1980. To add to the negative sentiment, there were also rumours that China has found a way to make 'synthetic' gold cheaply, which added to the tone. Bitcoin also came under extensive selling pressure, falling from USD87.8k on Friday to be USD78k this morning. Copper prices fell 4.5% while oil prices eased 0.35%.

The USD-index found some support with the Warsh nomination, rallying 0.75%, which saw the NZD drop 1.0% to 0.6015, although the AUD was the hardest hit losing 1.25% to be at 0.6955, which saw the NZD/AUD cross climb back to the 0.8650 level.

As mentioned, Treasuries were sold, but only at the peripheral with the 2-year 3bps lower at 3.54% while the 10-year remained within its prior range at 4.24%. Despite the announcement, European equity markets posted modest gains, firming between 0.5%-1.0%, although the US exchanges felt the pressure of potentially higher interest rates, falling between 0.4% and 1.3% ... compounded by the news that almost 1,000 US executives across 6,000 listed companies sold shares this month.

And there were also some data releases ...

- Chinese PMIs started the year on the backfoot after manufacturing PMIs fell from 50.1 to 49.3 in January while services activity slipped to its weakest performance since late 2022, falling from 50.2 to 49.4.
- US producer prices rose 0.5% in December to record their largest gain in 3 months following November's 0.2% increase.
- Preliminary German inflation rose to 2.1% in January, up from December's 15-month low at 1.8%.
- Tokyo headline CPI slowed from 2.0% to 1.5% in January, while core inflation printed at 2.0% against forecasts at 2.2%.

The week ahead ...

will likely see further volatility given the start to the year we've already experienced despite today being a US holiday and the US government being in a 'partial' shutdown due to their unresolved budget issues. It is also a big week for Australia with an RBA meeting tomorrow, with all of the major Australian banks now forecasting a rate hike tomorrow. Beyond that we also have the ECB and the BoE meetings. From the US we have the January non-farm payrolls data, the JOLTS, ADP Report, and Challenger job reports, wage inflation, unemployment, PMIs, and Michigan consumer sentiment. We also have Eurozone PMIs, CPIs, PPIs and retail sales. From Australia we also have PMIs, building approvals and trade, while from NZ we have building permits and Q4 unemployment.

Daily Rates

Monday 2 February 2026

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