

Market Alert

Friday 20 February 2026

CURRENCIES	Spot	6mths
NZD/USD	0.5974	0.0036
NZD/AUD	0.8465	0.0070
NZD/JPY	92.490	-0.77
NZD/EUR	0.5075	-0.0011
NZD/GBP	0.4436	0.0025
NZD/CNH	4.1213	-0.0181
AUD/USD	0.7056	-0.0016
AUD/EUR	0.5994	-0.0063
EUR/USD	1.1770	0.0097
USD/CNH	6.8984	-0.0720
GBP/USD	1.3464	0.0005
EUR/GBP	0.8740	0.0067
INT RATES	NZ	Australia
OCR/Cash	2.25%	3.85%
90 day bills	2.49%	4.02%
2 year swap	2.94%	4.22%
10 year Govt	4.43%	4.89%

The threat of war

is never good for business, but it is good for oil prices! With President Trump continuing to ramp up the rhetoric, oil prices are 2.0% higher on the threat of military action, with crude at USD66.50 and brent holding above USD70.00, at USD71.75. Commodity prices are typically 1.5%-2.5% higher across the board. Conversely, equity markets saw concentrated selling, with exchanges 0.25%-1.25% lower.

But while the 'wild' money continues to rotate between equity and commodity markets, bond and currency markets have been remarkably stable. This saw the 10-year US Treasury yield spend most of the session in positive territory, lifting to 4.10% before some end-of-day buying saw the yield fall back to 4.07%. The US 2-years was also quiet, flatlining at 3.47%. The USD-index also continued

to flatline, trading just below the 98.00 level, which saw little movement in the NZD and AUD, although the JPY came under renewed selling pressure.

Breaking the releases down ...

- Despite the Administration espousing the virtues of the US tariffs, the US trade deficit widened from USD53bn in November to USD70.3bn in December, above forecasts for a USD55.5bn shortfall. For the calendar year, the US recorded a USD901.5bn trade deficit, slightly better than 2024's USD903.5bn although it is still one of the largest since 1960.
- US initial jobless claims fell by 23k from the prior week to 206k, although continuing claims increased from the revised 1,852k to 1,869k.
- Eurozone consumer confidence edged up slightly in January, from -12.4 to -12.2.
- The Australian jobless rate remained at 4.1% in January, although the total number of those unemployed fell for a fourth consecutive month while another 50.5k joined the full-time work force. On the peripheral, the participation rate decreased slightly to 66.7%, from January's record high 66.8%, while hours worked were up by 0.6%.
- Japanese machinery orders rose by a whopping 19.1% in December, reversing last month's -11.0% decline.
- The Fonterra farmer shareholders yesterday approved the divestment and capital return.

From the central bank corner ...

The Fed's January minutes were a touch more 'hawkish' than many expected, with projections suggesting inflation is "slightly higher on balance" than in the December forecast as tariff increases were expected to keep upward pressure on inflation through 2025 and into 2026. Inflation will then return to its prior disinflationary trend "reaching 2.0% in 2028." The Fed's baseline projection was that the "last mile" back to 2.0% would be slow, but achievable on a definable horizon. On a side note, the minutes also reaffirmed Jerome Powell as Chair "until a successor is selected," given that Kevin Warsh's confirmation timeline is at risk of slipping, creating a longer "interim Chair" window.

RBNZ Deputy Governor, Karen Silk, confirmed, "The central scenario is the easing cycle is over, although there are risks both ways. On the downside, there is weak consumption and a softer household recovery, while on the upside, inflation is sticky, meaning a tightening remains possible if pressures persist. Policy needs to stay accommodative for some time to support the recovery. Even with a small hike, rates would only be nearer the lower end of neutral." The RBNZ also announced it will increase the frequency of its meetings from 7 to 8 per year as the CPI releases adjust to monthly releases. This should reduce the long summer 'recess'.

Daily Rates

Friday 20 February 2026

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.