

Sharemarkets continue their winning streak – besides the NZX

Auckland remains at COVID Alert Level 3 and the rest of New Zealand remains at COVID Alert Level 2 after yesterday's cabinet meeting. No new community cases were reported yesterday. In other NZ-related COVID news, PM Ardern confirmed yesterday that the first doses (approx. 60,000) of the Pfizer vaccine have now arrived in the country. Vaccinations for frontline border workers will commence from Saturday.

Despite the unfortunate news over the weekend, it was a quiet one for the local market yesterday. The NZX was down 0.63% over the session. Unsurprisingly, hospitality sector shares were among the losers, though the decline in energy shares were another theme. On the data front, yesterday's BusinessNZ Performance of Services Index confirmed the NZ services sector contracted for a third month over January (pre-lockdown part three). The day also saw the RBNZ purchase \$190m in NZ government bonds across a range of tenors.

The mood in the rest of the Asia-Pacific yesterday was considerably more upbeat. Across the Tasman, the ASX rose 0.9%, amid a glut of earnings data, whilst bond yields continued their advance as the 10-year climbed to around 1.3%. Virtually all the other major equity indices around the broader region lifted over day. A decent lift in Japanese GDP over Q4 (3% vs 2.4% expected) helped underpin sentiment, which saw the Nikkei hit a 30-year high.

With markets shut for President's Day and politicians out of town, there has been little news from Wall Street or Washington. US equity futures gained overnight as markets await the resumption of stimulus talks. With ex-President Trump's impeachment trial out of the way, the spotlight is likely to fall back on those stimulus talks from here on in as Democrats seek to unite their caucus behind a \$1.9 trillion relief package.

European markets were similarly upbeat overnight. Sharemarkets were up around the continent, with the pan-European Stoxx 50 index up 1.04% and the UK FTSE up 2.52%. Bond yields were up and the curve steepened across the board. The pace of the COVID vaccine rollout (particularly in the UK) and expectations of a sizable stimulus package in the US are continuing to bolster sentiment. The swearing-in of a perceived 'safe pair of hands' Mario Draghi as the new Italian Prime Minister over the weekend has been another source of cheer.

Prices for many commodities are continuing to hit post-pandemic highs. Oil prices maintained their recent momentum overnight, with Brent crude exceeding the \$60 mark – a twelve month high. Commodity prices more broadly are being supported by hopes of surge in activity following the global vaccine rollout and further US stimulus, fuelling talk of a new 'commodity price super-cycle.' Oil is also benefitting from ongoing tensions in the Middle East and a recent cold snap in the US state of Texas. Tin and copper are also testing seven- and eight-year highs respectively.

Other data: There were also a handful of pieces of European data out overnight, with industrial production in the Eurozone shrinking by more than expected in December amid the reimposition of restrictions (-1.6% vs survey: -1.4%). The Eurozone trade surplus hit a 20-year high (€27.5bn), with the data confirming sharp falls in export and import values over 2020.

FX update: With a generally positive overnight, the safe-haven USD and JPY were two of the weaker performers. With prices on a tear, commodity currencies like the CAD and AUD were mostly up. All-up, the NZD/USD has risen to around 0.7231 whilst the NZD/AUD has eased a shade to near the 0.9291 mark. Elsewhere, sterling had a good night, with the GBP/USD hitting its highest level since 2018 (around 1.3909) amid the UK's comparatively successful vaccine rollout.

Day ahead: REINZ housing data for January is out at 9am NZT and should show the market continuing to tighten. In Australia, the RBA minutes for the meeting earlier in the month are due. Beyond that, it's a quiet day ahead of the latest global dairy trade auction overnight where we expect another round of price lifts. ASB continues to forecast a milk price of \$7.40kgms for the 21/22 season, towards the top end of Fonterra's forecast range. **Author:** nathaniel.keall@asb.co.nz

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.7231	0.2%	NZD/SEK	5.985	-0.1%	NZX WMP	3545.0	-0.4%	Dow	31458	0.1%
NZD/AUD	0.9290	-0.1%	NZD/DKK	4.432	0.1%	Gold \$/o	1818.9	-0.3%	S&P 500	3935	0.5%
NZD/EUR	0.5961	0.1%	NZD/THB	21.6	0.3%	WTI Oil \$/b	59.5	2.1%	NASDAQ	14095	0.5%
NZD/JPY	76.17	0.1%	AUD/USD	0.7784	0.3%	Money Market (%)			FTSE	6756	2.5%
NZD/GBP	0.5200	-0.2%	EUR/USD	1.213	0.1%	90 Day BB	0.30	0.01	CAC-40	5786	1.4%
NZD/CAD	0.9137	-0.1%	USD/JPY	105.3	0.3%	OCR	0.25	0.00	DAX	14109	0.4%
NZD/CHF	0.6438	0.0%	10 Yr Bond Yields (%)			ASB Swap Rates (%)			H.Seng	30174	0.4%
NZD/HKD	5.606	0.2%	NZ	1.37	0.07	1yr	0.29	0.00	Nikkei	30084	1.9%
NZD/SGD	0.9564	0.1%	US	1.21	0.00	2yr	0.37	0.02	ASX200	6869	0.9%
NZD/CNH	4.632	0.1%	Aust	1.33	0.10	5yr	0.85	0.05	NZX50	12511	-0.6%

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